

Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 25, No. 43

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November 4, 1991

Foodservice rallies during Oakland fire

Operators lend helping hand to victims, volunteers

by Alan Liddle

OAKLAND, Calif. — Proving that their much-lauded generosity following the 1989 Loma Prieta earthquake was no fluke, area foodservice operators and suppliers rallied quickly to help emergency relief organizations feed thousands of firefighters and people displaced by the devastating Oakland hills fire storm.

By the close of business on the fourth day after the fire began — the day authorities declared the blaze "100 percent controlled" — approximately 45,000 meals had been served

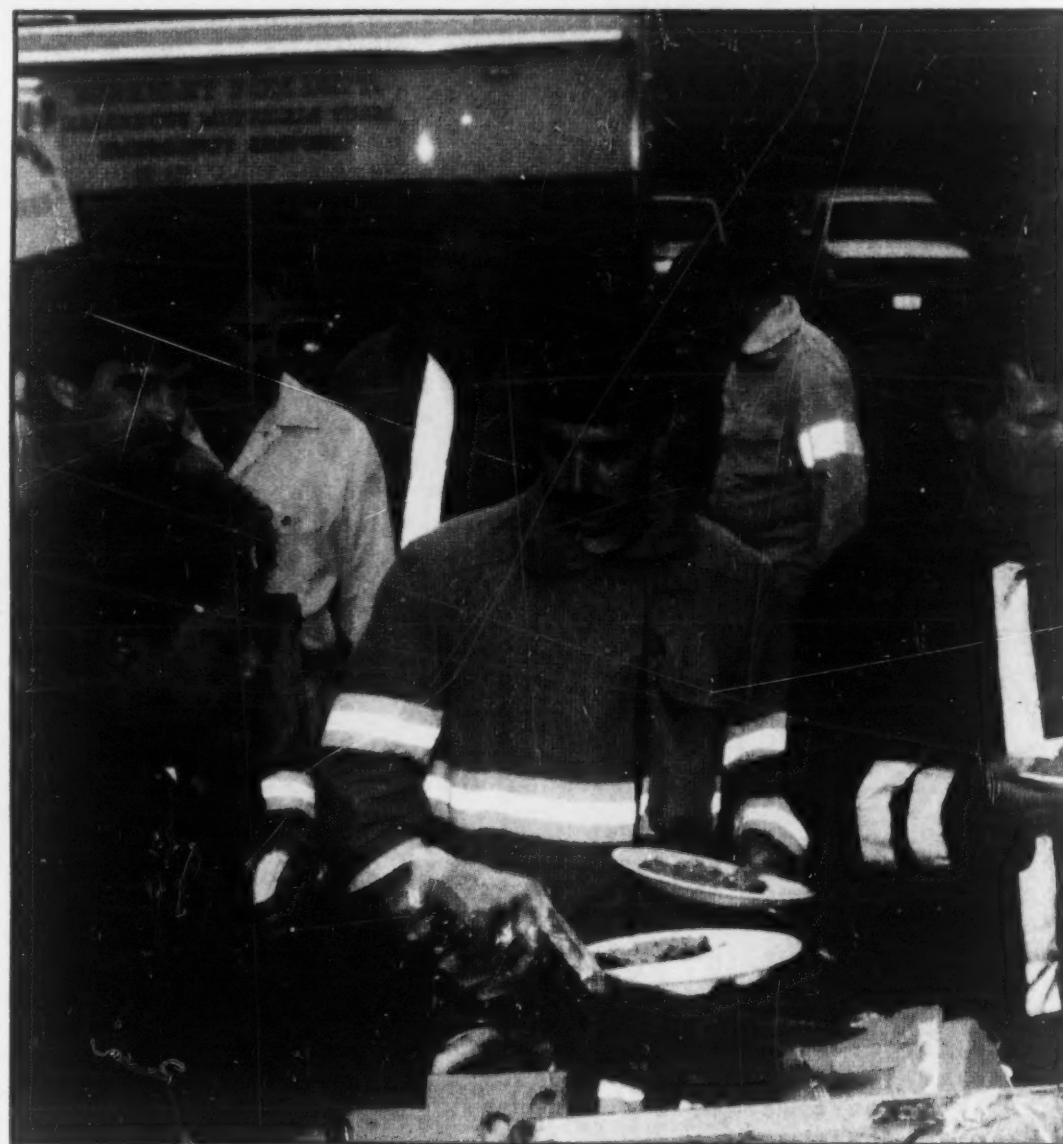
More Oakland fire photos appear on page 7

to fire crews, displaced residents and volunteers. That estimate was based on figures supplied by representatives of the American Red Cross, California Department of Forestry and Salvation Army.

In all, it took more than 1,300 firefighters to control the wind-driven inferno, which killed at least 24 people and de-

stroyed an estimated 2,800 homes and 600 apartments. As the crisis ebbed and word of good deeds flowed from public-service agencies, it became evident that companies and individuals from the hospitality industry had acquitted themselves admirably.

"I can tell you that a number of food providers have been tremendously generous, including Carl's Jr. and Marriott," Doug Sandy, the Red Cross' assistant mass care officer in charge of feeding, reported. "A (See *FOODSERVICE*, page 7)



Lt. Myrtle Walcott of the Salvation Army, left, slices up meat loaf from Trudy's restaurant for a line of hungry firefighters.



Don Martin, left, and Tony Mantuano, co-owners of TuttaPosto, a loftlike 'taverna,' which is located in downtown Chicago.

New Chicago lure: The Mediterranean

by Carolyn Walkup

CHICAGO — Flavors of the Mediterranean are the latest to be blended into Chicago's already aromatic melting pot.

Three downtown restaurants are featuring dishes with influences from Spain, Portu-

gal, Morocco, Italy, Greece, southern France and even Israel. They are TuttaPosto, a loftlike "taverna" co-owned by Tony Mantuano and Don Martin, both formerly from the Levy (See *CHICAGO*, page 83)

Landmarks fall victim to LA's economic slump

by Richard Martin

LOS ANGELES — A pair of local landmarks — Lawry's California Center and the Westin Bonaventure Hotel — have surrendered in the face of recessionary forces, providing more unneeded reminders of the economic perils facing Southern California's hospitality industry.

The 17-acre Lawry's California Center, a hacienda-style outdoor dining and food-manufacturing complex north of downtown Los Angeles, will

close on Jan. 3 as part of a consolidation by its owner, the Thomas J. Lipton Co.

Although more than 10 million tourists and locals have been drawn to the fountain-dappled garden setting, "the financial burden of operating the center has grown significantly in recent years and makes discontinuing the public facility necessary," the company said in a statement.

Officials of Lipton said the firm never profited from the

center's restaurants, wine shop, catering and gift operations, which were opened as a showcase for food products manufactured at the center. Earlier this year the company put the property on the market and transferred its Lawry's-brand seasoning and sauce operations to out-of-state factories.

Lipton bought the center in 1979 from the Frank and Van de Kamp families, who operate the unaffected Lawry's Prime (See *LA*, page 83)

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Killeen lessons: Do what you can to help

NRN Editorial/Page 31

Hotel industry gathers for 76th annual show

Hotel/Motel & Restaurant Show/Pages 37-42

Grocers swap ideas on boosting food sales

by Theresa Howard

ST. LOUIS — Grocers looking to steal business away from restaurateurs gathered here to share strategies for boosting foodservice sales.

Supermarket operators were on hand to learn how to develop signature items, improve packaging and displays, expand catering services and personalize marketing techniques.

"The No. 1 benefit of con-

sumers' eating out less is that it is creating an area of opportunity for our industry," said Clay Collier, director of research for the Food Marketing Institute, at the second annual Supermarket Foodservice Conference sponsored by FMI and the National American Wholesale Grocers' Association. But supermarket operators must (See *GROCERS*, page 82)

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NEWS BRIEFS

Democrats air plan to make health insurance more affordable

WASHINGTON — In an attempt to bring employee health insurance within reach of more small businesses like restaurants, two Democratic congressional leaders have introduced legislation to lower the cost of coverage sharply.

Among other things, the legislation would allow self-employed persons to deduct the full cost of their health insurance from their taxable income. Currently they can write off only 25 percent of the cost.

The initiative also would require insurers to offer coverage for small companies at rates no more than 25 percent above the premiums for larger concerns. At present, insurers often charge a huge premium for extending coverage to a small operation because fewer people are contributing to the pool from which benefits are paid out. The illness of a single member can eat up the whole reserve. For that reason many insurers simply refuse to cover small companies.

The legislation was drafted specifically to help businesses with fewer than 51 employees to afford health insurance. It is sponsored by Sen. Lloyd Bentsen, D-Texas, chairman of the Senate Finance Committee, and Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee. Their prominence on Capitol Hill enhances the bill's chances of being passed.

KFC plucks broiled entrée from sales tests

LOUISVILLE, Ky. — Kentucky Fried Chicken has scrapped tests of its Monterey Broil broiled-chicken entrée to further refine the product in the lab.

"We're back to the drawing board," said Steve Provost, vice president of public affairs. "Monterey Broil has got to be better than something you can make at home."

The entrée had been viewed as a critical component of KFC's efforts to update its image and appeal to consumers seeking more healthful alternatives to the chain's fried chicken.

Provost said that a spicier reformulated product would likely be offered overseas before being tried in the United States.

In several markets the company is still conducting tests of a Monterey Broil sandwich, which is made with a skinless broiled chicken breast. The Monterey Broil on-the-bone product was being tested in Louisville, Ky., and in Las Vegas and Reno, Nev.

Luby's delays decision on fate of Killeen unit

KILLEEN, Texas — Luby's officials say they will wait until at

least late November before deciding whether or not to reopen the unit here that was the site of the worst multiple shooting in U.S. history.

However, the cafeteria's 45 employees have been told that they will remain on the company's payroll.

"We ... know that they will need a period of time to deal with this situation personally," Ralph Erben, Luby's president, told Dow Jones News Service.

Two more persons have died from wounds suffered in the Oct. 16 shooting spree of George J. Hennard, bringing the death toll to 25, including Hennard himself.

The incident was the worst multiple shooting since the murder of 21 people at a McDonald's unit in San Ysidro, Calif., in 1984. McDonald's eventually closed that restaurant and dedicated the site as a memorial to the persons who were killed.

Southland inks deal to bolster presence in Boston

BOSTON — Southland Corp. said it has agreed to sell 47 7-Eleven convenience stores and six Quick Mart outlets in the Boston area to Christy's Market Inc., operator of 130 Christy's convenience stores there.

As part of the agreement, Christy's will convert its stores into franchised 7-Eleven outlets, which will give the segment-leading chain a much larger presence in and around Boston. The changeover is scheduled to be completed by June 1992.

The units sold to Christy's will also continue to operate under the 7-Eleven banner.

Terms of the deals were not disclosed.

Friendly opens new concept in Cincinnati

CINCINNATI — Friendly Ice Cream, operator of the 785-unit Friendly's family restaurant chain, has opened a new concept called Company C on the site of a shuttered Friendly's unit here.

However, a company spokesman said the outlet is "the only one we plan on building." He called it a research and development project.

Company C currently occupies what had been a Friendly's unit that closed about five months ago.

Friendly's has eight units in the Cincinnati market. The chain is a sister chain of Perkins Family Restaurants.

Hilton sued by former division

BEVERLY HILLS, Calif. — Hilton Hotels Corp. said it is being sued by its former international division, Hilton International Inc., in a dispute over development rights granted in 1964.

When Hilton Hotels spun off Hilton International that year, it gave the onetime sub-

sidary exclusive rights to develop Hilton hotels outside of the United States. Hilton International maintains in its suit that Hilton Hotels has violated that agreement by opening Conrad International hotels overseas.

Hilton Hotels maintains that the deal precludes it only from using the Hilton name overseas, not from opening hotels bearing a different brand name. Calling the suit "frivolous," Hilton Hotels noted that it has been developing Conrad International hotels since the early 1980s.

Moynihan unearths his plan to cut Social Security tax

WASHINGTON — Trying to capitalize on the tax-cutting fervor building here, Sen. Daniel Patrick Moynihan, D-N.Y., has dusted off his plan to cut the Social Security payroll tax paid by restaurateurs and all other employers.

The senator has indicated that he will attempt to append his plan to any tax-revision bill that arises this fall.

The initiative calls for cutting the tax by a full percentage point over several years. The levies paid by employees would be similarly trimmed.

Moynihan first aired his proposal almost two years ago. However, he failed to win sufficient support from his colleagues to put the measure into a bill, despite the urgings of business groups like the National Restaurant Association. The Senate voted 60-38 last April to table the tax cut.

Holiday Inn unveils 2 resort concepts

SAN DIEGO — Holiday Inn, in its first major product introduction since it was acquired by Bass PLC, has unveiled two new resort concepts: Holiday Inn Sunspree Resorts and Holiday Inn Crowne Plaza Resorts.

The Sunspree properties will be targeted at the midscale customers who frequent conventional Holiday Inns, while the Crowne Plaza properties will be positioned for a more upscale clientele, the company said.

The hotels will be built from scratch and converted from existing properties, Holiday added.

Dial considers reorganization

PHOENIX — Dial Corp., parent company of the Restaurant contract-feeding operation, said it is considering plans to divest several of its other businesses, including its Greyhound Financial and Greyhound European Financial financing groups.

The move would pare down Dial's businesses to its contract feeding and customer services operations.

In a statement Dial chairman John Teets cautioned that an actual proposal has yet to be drafted and submitted to Dial's board. But, he said, such a move would be consistent with Dial's efforts to focus on its consumer- and service-oriented divisions.

FINANCIAL NEWS

Apple South offers IPO to fund future growth

by Peter O. Keegan

MADISON, Ga. — Apple South, a 40-unit Applebee's Neighborhood Grill & Bar and 10-unit Hardee's franchisee, is hoping to raise nearly \$11 million through its first public stock offering.

The company said it would use proceeds of the IPO to retire debt and fund expansion of the Applebee's dinner-house concept.

Apple South holds the exclusive development rights for Applebee's restaurants in 15 states, most of which are in the Southeast, and it is the nation's largest operator of Applebee's restaurants.

Apple South declined to comment on the offering.

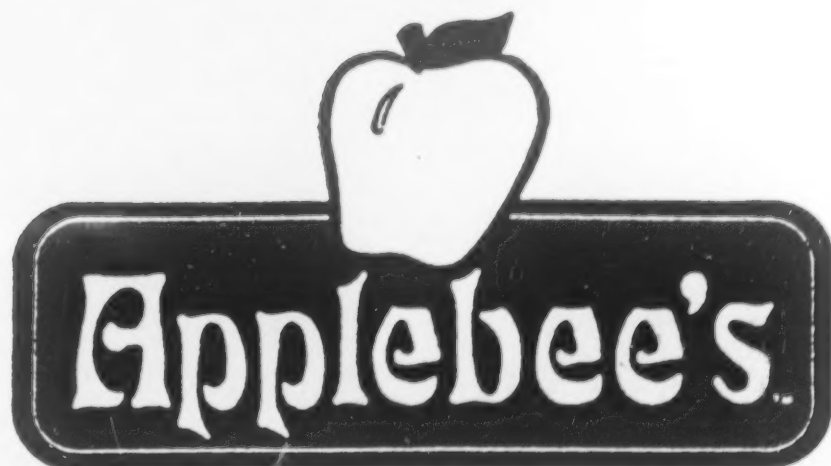
But Abe Gustin, president and chief executive officer at Applebee's International, said the company supported Apple South's move, particularly in the face of a tough lending climate. "They have grown so large it has become difficult to obtain financing," he said.

Of the 1.3 million issues of common stock that will be offered, 1 million are being sold by Apple South Inc., and 300,000 are being sold by chairman and chief executive Tom E. DuPree Jr.

DuPree, 39, currently owns 92 percent of the company's common stock. Following completion of the offering, he will own approximately 61 percent of the company's total 3.9 million common shares outstanding.

The franchise agreement with Applebee's International dictates that DuPree must maintain 51 percent of the company's ownership unless Applebee's approves otherwise, according to Gustin.

A prospectus filed with the Securities and Exchange Commission states that the initial



public offering price will be between \$11 and \$13.

The company is looking to generate approximately \$10.9 million after expenses and plans to use \$2.8 million of the net proceeds to pay debts resulting from construction loans and other debt associated with opening new restaurants.

Another \$6 million will be earmarked to finance the development of new restaurants, with the balance going toward working capital and other general corporate expenses.

Apple South plans on opening 10 to 12 Applebee's restaurants per year for the next two years and has no current plans to open additional Hardee's units.

In the SEC statement, the company said it could ultimately support at least 100 new Applebee's restaurants. Gustin noted that Apple South is only 40 percent developed so far and, according to the franchise agreement, has the rights to develop 118 stores. This year Apple South opened two restaurants, and another is under construction.

The report stated that Apple South would like to enter into agreements for new territories and would consider the acquisition of existing Applebee's restaurants and franchisees.

It also stated that DuPree has approached the franchisor, Applebee's International, "for

preliminary discussions regarding transactions that would allow the Company or Mr. DuPree to acquire, or obtain control of, the Franchisor." The filing went on to say that the franchisor had no interest in the proposition. "He did talk to us, but the conversation was limited," Gustin confirmed.

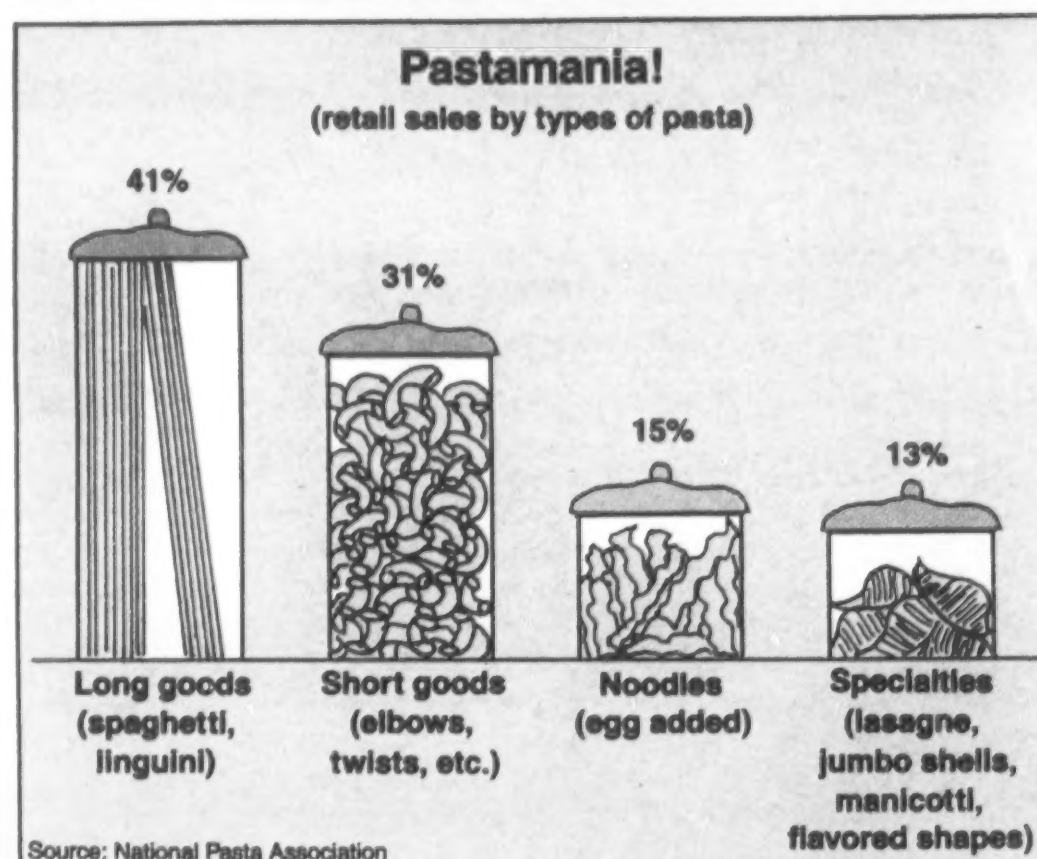
Apple South also said it would consider acquisition and development of other restaurant concepts in the future but has no current plans to do so.

The company reported that during 1990 and 1991 the average cost of developing and opening Applebee's restaurants was approximately \$1.2 million. The filing also reported that average annual sales volume for the 32 stores that were open one year before June 30, 1991, was \$1.5 million.

For the six months ended June 30, sales at Apple South's Applebee's units were up 20 percent, to \$28.9 million, for the period. Total restaurant sales, including the Hardee's units, increased by 16 percent, to \$32.7 million, during the first six months of 1991. The company posted \$49.8 million in sales in 1990 for its Applebee's division, up 54 percent over 1989.

The increase in restaurant sales, resulting from new restaurants, was offset by a 6.1- (See APPLE SOUTH, page 83)

FACT FILE



FINANCIAL DIGEST

TV ads, remodelings boost ShowBiz Pizza

IRVING, Texas — ShowBiz Pizza Time attributed store remodeling and increased television advertising to a 16-percent boost in net income on a 12-percent jump in revenues.

For the period ended Sept. 27, the company cleared \$5.1 million on a revenue base of \$54.2 million.

"I think it goes back to a lot of the capital we've invested at many of the restaurants," said Mike Magusiak, chief financial officer of ShowBiz. "We've also been running a fairly aggressive marketing campaign on television... throughout the year."

The 273-unit pizza chain also operates a number of Chuck E. Cheese and Monterey's Tex-Mex Cafe restaurants.

Through the first nine months, ShowBiz said, net income increased 30 percent, to \$15.2 million, on a 14-percent gain in revenues, to \$138.9 million.

Bob Evans to buy back stock shares

COLUMBUS, Ohio — Bob Evans Farms' board of directors has approved a plan to buy back 500,000 shares of the company's common stock in private and public negotiations until April 1992.

The company said the issues will be reinvested in Treasury shares and will thereafter be available for reconversion into stock or other options or general corporate purposes.

The company said the timing of the purchases will depend on market conditions.

There are 31.3 million total shares of Bob Evans common stock outstanding. The share price closed in recent trading at \$19.13, close to its 52-week high.

Frisch's cuts operating costs, doubles net

CINCINNATI — Frisch's Restaurants, a 100-unit Big Boy franchisee, said its first-quarter net income more than doubled, to \$1.6 million, despite a 2-percent decrease in revenues, to \$44.5 million, for the period ended Sept. 21.

The company said the 107-percent gain in earnings came from lower food costs and reduced operating expenses as well as from elimination of underperforming units in Florida and the Southwest.

Frisch's also included in its profits supplemental distribution of income from the company's investment in the Cincinnati Reds baseball team. The company attributed the decline in sales to discontinued operations in Florida and the Southwest.

Carl Karcher's earnings fall 25% in 2nd Q

ANAHEIM, Calif. — Carl Karcher Enterprises, operator of the Carl's Jr. hamburger chain, reported a 25-percent decline in net income, to \$3.7 million, on a 5-percent gain in revenues, to \$131.4 million, for the second quarter ended Aug. 21.

For the six-month period, net income fell by more than 37 percent, to \$6.4 million even though revenues rose 5 percent, to \$296.3 million.

Donald F. Karcher, president and chief operating officer, attributed the decline in earnings to tough quarterly comparisons.

"California's economy fell into recession later than the regional economies of many other areas of the country," he said in a statement. "Consumers have tightened their belts accordingly, and we are seeing lukewarm sales as a consequence."

IDQ's 3rd-Q net income rises 5 percent

MINNEAPOLIS — International Dairy Queen said its third-quarter net income rose 5 percent, to \$10.1 million, on a 3-percent gain in revenues, to \$89.2 million. For the nine months ended Aug. 30, revenues rose 0.6 percent, to \$229 million, while net income climbed just 0.4 percent, to \$21.7 million.

FOOD PRICE OUTLOOK

Red meat prices stay in stable range

by Patt Patterson

It doesn't seem to matter right now to beef prices whether there's not as many feeder cattle on the nation's feedlots. The reason for the decline in feeding is that slaughter has been heavy, and replacements have not been keeping up with sales. However, the cattle on the lots are heavier than average, and this means that the discrepancy isn't as wide yet as the numbers would indicate. But don't expect prices to hold in their present range forever. Next spring could see a jump if feedlot operators don't soon start increasing the number of cattle on feed.

Hogs are a somewhat different story. There are more hogs out there right now than there were last year. The farm-

ers who have been raising them have been getting them into market even through the heavy harvest periods.

So prices on pork have stayed stable — and lower than last year by about 8 percent to 10 percent. The difference from the beef picture is that there are still a lot of hogs out there. Farmers are still indicating farrowing intentions are stronger than last year's. So there should be stable to lower pork prices well into next year.

Poultry, on the other hand, is moving up a little. These last few months the variation in price has been in a pretty restricted range. Now, however, prices are running about 3 percent to 5 percent higher than they were last

year at this time. Indications are that demand is strong and producers are still holding pretty tight reins on increases.

A smaller Northwestern Bartlett pear pack has pushed packers' prices up. Northwest purple plum pack is also down, with prices moving up.

Iceberg lettuce production is moving from the Salinas Valley into the Central San Joaquin Valley, with prices at moderate levels. Heat has caused quality to vary widely. In mid-to late-November the southern desert areas should get under way. Prices look as if they'll stay fairly stable through the end of the year, barring any disruptions in growing or harvesting.

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Value weds variety at Chancery

The Chancery Pub & Restaurant, a six-unit Milwaukee-area chain, aims to offer a little something for everyone — and it does so at a 'value' price with a 'good-time' atmosphere. See story on page 7.



NRN Photo

Investors ink deal to buy Papa Gino's

Greenleaf CEO Miles leads group in buyout of pizza chain

by Theresa Howard

DEDHAM, Mass. — An investment group organized by Gordon Miles, chairman and chief executive of Rusty Pelican and Carlos Murphy's parent, Greenleaf Ventures Inc., has sealed a deal to purchase the 218-unit, family-owned Papa Gino's pizza chain here.

Miles' group will pay Michael and Helen Valerio an undisclosed amount for the chain they founded. The investors include McCown DeLeeuw and Co., a New-York based capital venture firm and investor in Greenleaf's holding company, VSRA, and Merrill Lynch Interfunding Inc., a subsidiary of Merrill Lynch & Co. The transaction is expected to be completed by year-end.

Separately, Greg Dollarhyde, formerly the president and chief executive of Greenleaf's Rusty Pelican chain, has left the company. Scott Barnett, former vice president of operations, has been named to succeed Dollarhyde.

According to Greenleaf's chief financial officer, Dan By-

lund, Dollarhyde's departure is completely unrelated to the Papa Gino's acquisition by Miles' group.

Meanwhile, Miles will serve as chief executive for the Papa Gino's chain "at least for the first couple of months," according to Bylund.

The acquisition of Papa Gino's comes two years after the 30-year-old chain launched a franchising program and pushed into the delivery market. But last year the chain, which is primarily located in New England, was hit hard by the region's recession and laid off workers for the first time in the company's history. Aside from dismissing 25 employees, the company also shelved its delivery business and franchising program.

Although the pizza chain was profitable in its last fiscal year, the company's estimated \$136 million in sales marked only a 1-percent gain over the figure for the same period in 1989. The company expects (See PAPA, page 73)

Brinker prepares to test price Italian concept

by Diana Neugebauer

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ker International's, Grady's and Romano's testing a new y called Spaghetti's range of

Romano's Macaroni Grill concept to Brinker, is spearheading the launch. "Phil is working on the project with us; he's the one who got us interested in it," Cardwell explained.

Cardwell added that Spagetti's, which he said is just the temporary name of the project for planning purposes, will have 180 to 200 seats and "is a prototype for a future concept."

He said the test unit probably would open around March 1992 in Plano, Texas, a suburb of Dallas.

Analysts said the new concept likely would compete with such value-oriented chains as Spaghetti Warehouse and Old Spaghetti Factory, which concentrate heavily on pasta and have price points around the \$7-to-\$8 range.

Many have been skeptical that the four-unit Romano's concept, which has an average check hovering around \$14, has potential for major expansion à la The Olive Garden.

"I'm a little surprised that (See BRINKER, page 73)

Exec VP Perry exits Karcher Enterprises

by Richard Martin

ANAHEIM, Calif. — Raymond J. Perry, who in 1989 was dubbed the probable future chief executive of the Carl's Jr. chain by president Donald F. Karcher, has resigned abruptly as executive vice president of Carl Karcher Enterprises "to pursue other interests."

Company spokeswoman Patricia Parks said Perry's duties as the 600-unit fast-food chain's No. 3 officer would be assumed temporarily by Karcher and his brother, Carl N. Karcher, the Anaheim com-



Perry

pany's chairman and chief executive.

Parks said a successor to Perry will be named at an undetermined time. She did not elaborate on reasons for his Oct. 31 resignation, which was immediately effective, but said it "does not imply a change in corporate strategy."

In a Sept. 30 letter to shareholders, the Karcher brothers said they were "continuing to focus on stimulating [virtually flat restaurant] sales, while (See PERRY, page 4)

INSIDE

A new horizon in global opportunities

James C. Doherty/Page 31

Promoting Cognac through education

Mort Hochstein/Page 32

RA steers Ford Foundation to top of B&I dining

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Rotisserie chicken enters the coop at Mrs. Winner's

by Jack Hayes

ATLANTA — In a move to broaden its menu and attract new customers, Mrs. Winner's Chicken & Biscuits, a regional quick-service chain with units in five Southeastern states, is rolling out rotisserie chicken into all company-owned restaurants.

Although the company said it was too early to gauge sales of the new product, a Mrs. Winner's unit manager in sub-

urban Roswell, Ga., reported the customer response has been strong. "This is really taking off," he said. "It's reaching 25 percent of my volume."

"We've got a lot of people trying it and liking it," said marketing vice president John Gray, who added that the chain would introduce the rotisserie product with a major advertising campaign in five markets. (See WINNER'S, page 4)

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Vol. 25, No. 44

November 11, 1991

NEWS BRIEFS

Calif. court issues
gay-rights ruling

SACRAMENTO, Calif. — Weeks after Gov. Pete Wilson vetoed legislation that would have prevented employers from discriminating against gay employees and job applicants, a state appeals court has granted that protection in a landmark ruling.

The action prevents restaurateurs and other employers from denying employment or a promotion to persons on the basis of their sexual preferences.

In a 3-0 decision, the justices on the State Court of Appeal ruled that efforts to secure equal rights for homosexuals are a political activity protected by the political-protection provisions of the state's labor codes. The decision explained that the codes prevented employers from discriminating against staffers because of their political activities.

Earlier this year, Gov. Wilson rejected a bill that would have had the same effect. He argued at the time that such protection was not needed. Several prominent members of the foodservice industry had lobbied against the measure discreetly.

Arby's introduces
smaller prototype

MIAMI — Arby's Inc., operator and franchisor of about 2,500 quick-service sandwich restaurants, has developed a smaller, more efficient building prototype designed to improve return on investment in major markets and unit economics for secondary markets.

Dubbed the A1791 in reference to its square footage requirements, the prototype is about 19 percent smaller than the previous 2,200-square-foot model and seats 48 people, compared with the 60- to 80-seat capacity of the previous design. Gaylon Smith, Arby's senior vice president of franchising, said the model can be situated on a 15,000- to 20,000-square-foot land parcel, while the larger building requires 45,000 square feet of land.

"We're looking at a building [cost] in the range of about \$150,000," Smith explained. "In the past it was \$250,000."

The new design, he remarked, should handle the flow of customers needed to generate "\$750 to \$800 hours."

Franchisees of the Miami-based company got their first look at plans for the new building at the chain's recent convention in San Francisco.

Uno sues
Dunkin' over
Chili's deal

BOSTON — Uno Restaurant Corp. is suing a subsidiary of Dunkin' Donuts Inc., claiming unfair business dealings in the sale of the exclusive Northeast development rights of Chili's Grill & Bar to a New York investment group.

The owner and operator of the Pizzeria Uno chain here is suing Dunkin' Ventures Corp.,

the former franchisee of 15 Chili's units, for an unspecified amount of damages plus attorney's fees for allegedly failing to act in good faith during the doughnut chain's efforts to sell the casual dinner-house restaurants.

Uno had expressed interest when Dunkin' Ventures first put its 15 franchised Chili's units up for sale last year. Uno backed down, though, after Dunkin' reached an initial agreement with the New York investment concern, Jacobson Partners, L.P.

But after the deal between Dunkin' Ventures and Jacobson collapsed, Uno rejoined the bidding. Uno is now claiming that Dunkin' Donuts had continued to negotiate with Jacobson even after the donut chain had struck a "final agreement" with Uno for \$8 million.

A deal between Jacobson and Dunkin' Ventures was concluded last month for between \$7 million and \$8 million.

Neither party could be reached for comment.

Le Bernardin
owners open
Miami operation

MIAMI — Gilbert and Maguy Le Coze, the French-born brother-and-sister restaurant team who own and operate the fashionable Le Bernardin in New York, have opened Brasserie Le Coze here.

Like its New York predecessor, the 300-seat Miami restaurant emphasizes seafood although it offers other fare as well. Per-person dinner checks are expected to run about \$30.

The Le Cozes, who had previously owned and operated a two-star Michelin restaurant in Paris, opened their Manhattan operation, Le Bernardin, in the Equitable Building in 1986. It was quickly awarded four stars, the New York Times' highest restaurant rating. Soon afterwards they closed their Paris operation.

Buckhead Life
breaks ground
for seafood place

ATLANTA — Only three months after opening its newest restaurant, Pricci, the Buckhead Life group here has broken ground for a casual seafood concept in the same neighborhood with Pricci and its 4-year-old cousin, Buckhead Diner.

Boasting an upscale shack theme, the new restaurant will feature a casual front porch lounge called Crazy Crab, a retail store and a sophisticated takeout area.

"It'll look like something between a brick warehouse and a Savannah train station," said Buckhead Life president Pano Karatassos, who hired the ZakaSpace team (designers of Shaw's Crab House and other units for Chicago-based Lettuce Entertain You Enterprises) for the project.

Karatassos vigorously denied reports that his still-successful tablecloth restaurant at Lenox Square Mall, The Fish Market, would be shuttered after the yet-unnamed new unit debuts next spring.

"The Fish Market is profitable, and we still have a lease to honor," Karatassos said.

LEYE set to open
three concepts

CHICAGO — Lettuce Entertain You Enterprises is scheduled to open its newest restaurant, Maggiano's Little Italy, later this month.

Richard Melman, LEYE president, describes Maggiano's as reminiscent of restaurants in New York's Little Italy. It will feature large portions of Southern Italian favorites meant for sharing.

Corner Bakery, LEYE's first bread bakery, is located next door and will supply breads for Maggiano's and possibly for other restaurants in the company.

The group's first Greek restaurant, Papagus, is expected to open in January on street level of the new Embassy Suites Hotel just west of Michigan Avenue. Patrick Kuleto, San Francisco-based restaurant designer, is designing Papagus.

Big 4 launches
mall prototype

SCOTTSDALE, Ariz. — Big 4 Restaurants Inc. has launched Gill's Grill, a counter-service seafood prototype for mall food courts, at the Palm Court Cafes area of the Scottsdale Fashion Square.

"Gill's Grill introduces Big 4 to a new opportunity doing high-quality, creative fast food in a mall food court atmosphere," said Big 4 president Lee Cohn, the Phoenix-area theme restaurant pioneer and co-founder of the Ed Debevic's diner concept.

Decorated with "whimsical" nautical decor, the mall unit specializes in grilled skewers of shrimp, chicken, fish and beef on seasoned rice as well as fish and chips, crab cocktails, clam chowder, "heart healthy" snapper, grilled fish sandwiches and salads. Prices range from \$3.50 to \$5.75.

Former Omni hotel
exec named prexy
of Sky Chefs Inc.

ARLINGTON, Texas — Michael Z. Kay, former president of the Omni International Hotel Chain, has been named president of Sky Chefs Inc., a large in-flight feeder based here.

In his new position, Kay will oversee operations, human resources and product development. He will report to Sky Chef's chief executive, J.J. O'Neill, who most recently held the president's post.

Kay has 27 years experience in the hospitality industry. Most recently he was executive vice president and management consultant for Charter Medical Corp. in Macon, Ga.

The company also announced that Randall Boyd has been named senior vice president of marketing and customer service. He will oversee both domestic and international marketing efforts.

FINANCIAL NEWS

Spaghetti Warehouse net up 59% for 1st quarter

by Alan Liddle

GARLAND, Texas — Providing a textbook example of how the pursuit of tax credits and the elimination of debt can greatly boost the earnings of well-run company, Spaghetti Warehouse Inc. reported a 59-percent increase in net income, to \$1.26 million, for the 13 weeks ended Sept. 28.

Officials of the 19-unit company, which specializes in building high-volume family restaurants in redeveloping urban areas, said first-quarter revenues rose 27 percent, to \$13 million, compared with the same period in 1990. The company operated four fewer restaurants in the year-ago quarter.

"The absence of interest expenses along with the increase in revenues accounts for most of it [the gain in net income]," explained William B. Rea Jr., the company's vice president of finance. "And our income tax rate continued to be low [at 20.3 percent of sales]."

Rea said same-store sales for the quarter were up 2.1 percent, with a 1.5-percent hike in menu prices in August contributing to the gain. Customer counts for the quarter rose 3 percent, which offset a 1-percent dip in the chain's average guest check to \$7.54, he said.

"We've seen more customers drinking water instead of [ordering] tea," Rea said of the no-frills approach to dining recently displayed by some Spaghetti Warehouse customers. "We think it's the economy. People are tightening their belts and watching what they buy."

The quarter-to-quarter drop in average checks is the first such decrease in customer spending at Spaghetti Warehouse in some time. In its 1991 annual report, the chain indicated that its average guest

check has risen in each of the past five fiscal years.

Spaghetti Warehouse eliminated its long-term debt in June through a secondary offering that raised \$5.7 million. The savings in interest expenses for the most recent quarter, compared with the same quarter a year ago, was approximately \$116,000.

The chain's practice of renovating rundown buildings, such as old warehouses, in areas of cities slated for redevelopment is netting it some noteworthy tax advantages.

Primarily on the strength of such tax credits, the chain's income tax rate in the most recent quarter dropped by 30 percent compared with the year-ago quarter. In other words, the company brought in an additional \$2.8 million in revenues but actually paid \$1,000 less in taxes.

"The targeted jobs tax credit is in there [part of the decrease in tax rate], but 90 percent of it is the rehabilitation credit," Rea said.

In a year-to-year comparison, Spaghetti Warehouse's cost of sales remained fixed at 24.6 percent of total sales, while its general and administrative expenses rose in dollar terms but declined from 14.1 percent to 12.1 percent of sales.

Operating expenses rose from 44.5 percent to 45.9 percent of sales, and depreciation and amortization increased from 4.9 percent to 5.3 percent of sales. The 27-percent larger revenue base, coupled with the absence of interest payments and the two-point drop in general and administrative charges, more than offset the increased expenses, however, and the result was a pretax margin of 12.1 percent of sales.

The prior year's pretax margin was 10.8 percent.

Release of the quarterly report helped push Spaghetti Warehouse's stock to a 52-week high of 26 7/8, up 2/8 from the previous high and the level reported at the close of trading the preceding day.

According to analysts at Montgomery Securities in San Francisco, Spaghetti Warehouse is "outperforming the market." Michael Mueller, a managing director, said he has long been impressed by the company's management and added that the recent addition of former Burger King and Steak & Ale executive Louis P. Neeb, who became president in July, can only bolster the team.

Mueller characterized Spaghetti Warehouse's pretax return on investment as "among the highest in the industry." He said the chain's pretax return for a typical unit "is in the 30-percent-to-40-percent range."

"The longer-term growth prospects for the company are good," the analyst observed, "because it has a relatively small number of restaurants right now."

Addressing growth, Spaghetti Warehouse's Rea said the company is "on track" to develop four more restaurants by the end of its current fiscal year in June.

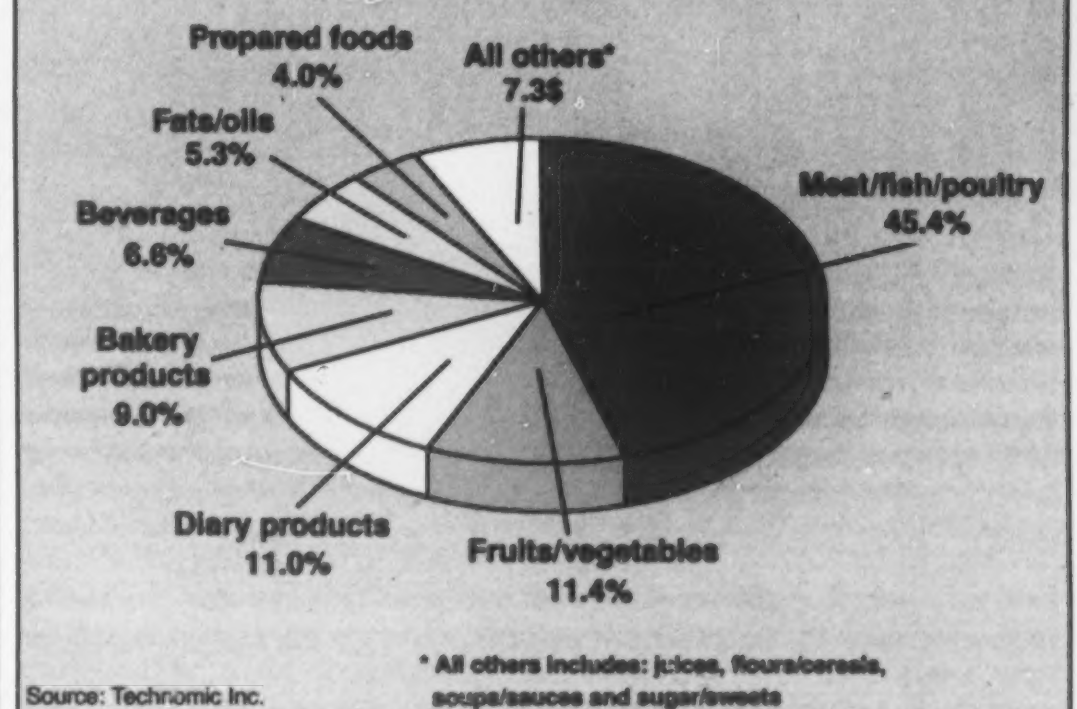
Founded in 1972, Spaghetti Warehouse operates full-service restaurants seating from 325 to 600 people. The pasta-anchored menu features entrées priced from \$2.95 to \$8.50, which include soup or salad and sourdough bread.

The chain's average annual sales per restaurant, for units open at least a year, were about \$2.6 million in fiscal 1991, according to company officials.

FACT FILE

Manufacturers sales by product — 1991

TOTAL = \$92.0 billion



FINANCIAL DIGEST

Chart House's 3rd-Q profits fall 24%

SOLANA BEACH, Calif. — Chart House Enterprises said net income fell 24 percent, to \$1.7 million, for the third quarter ended Sept. 30, on a slight 2-percent rise in revenues, to \$42.1 million.

Six of the company's eight newest units failed to meet sales and profit goals and marred the company's overall performance.

Chart House said that through the first nine months it netted \$3.9 million, a 36-percent decrease from the figure for the year-ago period, on a 7-percent gain in revenues, to \$124.3 million.

Ruling lets Applebee's chief keep stock

KANSAS CITY, Mo. — Ruling in a divorce case, The Jackson County Circuit Court has decided that Abe J. Gustin, president and chief executive of Applebee's International, will be allowed to keep all of his stock in the company.

Noting that Gustin owns more than 800,000 shares, or 17 percent of the casual-theme restaurant company, the court said that awarding his wife, Joanne Gustin, any part of the stock would put Gustin in default on various loan agreements "which could subject the stock to foreclosure."

Gustin's stock has been put up as collateral against debts in excess of \$10.7 million owed to the Merchants Bank of Kansas City.

The attorney for Joanne Gustin said he'd appeal the ruling, noting his client is seeking 60 percent of Gustin's stock in Applebee's.

Rally's net income jumps 39 percent

LOUISVILLE, Ky. — Rally's said its third-quarter net income jumped 39 percent, to \$1.9 million, on a 21-percent gain in revenues, to \$25.3 million.

The company said the bottom line benefited from lower costs of sales and major reductions in food promotions and couponing. Top-line figures were boosted by its ongoing value menu strategy, Rally's said.

"Our value concept focuses on the total cost of a meal and is not limited to a few low-cost items or to constant discounting," said Wayne M. Albritton, president and chief operating officer.

The company said its net income could have surged even more were it not for the acquisition of the 19-unit Maxie's of America earlier this year in a stock-swap transaction, which knocked \$180,000 out of its third-quarter profits.

For the nine months ended Sept. 9, Rally's net income rose 7 percent, to \$4.2 million, on a 14-percent increase in revenues, to \$69.2 million.

Systemwide sales grew 22 percent during the three months, to \$58.4 million, and rose 16 percent through the first nine months, to \$159.7 million.

Sonic net soars for year and quarter

OKLAHOMA CITY — Sonic Corp. said net income quadrupled for the year ended Aug. 31, to \$3.7 million from \$940,600.

Revenues for the year jumped 17 percent, to \$53 million. In the fourth quarter net income rose to \$1.5 million, from \$446,700 in the year-ago period, on a 20-percent increase in revenues, to \$15.6 million.

"We are pleased with the increase in comparable restaurant sales in view of the fact that much of our industry segment is currently experiencing sales and traffic decreases," said C. Stephen Lynn, president of the company.

Net income in fiscal 1991 included an extraordinary expense of \$594,800 related to unamortized loan costs that were paid out of the proceeds from the company's initial public offering in February.

FOOD PRICE OUTLOOK

Canned fruit, orange juice prices rising

by Patt Patterson

Florida's orange crop, although a good one, won't be up to last year's levels, and this is prompting most frozen orange juice concentrate packers to raise prices. The U.S. Department of Agriculture dropped its forecast figures sharply, to 136 million boxes. That's nearly 10 percent less than last year's. While it's still 23 percent more than the 1989-90 crop, which was hit hard by a freeze, it's going to cut packer inventories through 1992. Initial price hikes have been in the 6-percent-to-8-percent area. Depending upon Brazilian concentrate prices, there may be further hikes.

West Coast canners are raising prices on 6/10 cling

peaches, Bartlett pears and fruit combination packs. Hikes run from 50 cents to over \$1 per case. The canned peach pack is down about six percent from last year, and most packers have kicked up the price by 50 cents. The Bartlett pear pack in the Northwest was short, and packers are taking on about \$1 per case. In California, some packers are talking about \$1.25 per case.

The California frozen strawberry pack is up this year, about 15 percent higher than last year's. Mexican imports are down nearly 10 percent. Prices are stable.

There's a short pack of ripe olives in store. The crop was less than half that of 1990. Look for probable price increases... The

cranberry crop is up this year by more than 15 percent. Expect stable prices for both canned sauce and fresh berries through the holidays... It looks as if dried beans are going to be in big, big supply this year. Export action is down, and a bumper — near record — crop is in sight. Prices are moving downward.

The tomato pack is just about done. Despite worries about the late start, deliveries to California packers hit a record. Prices are mostly holding but may start sliding when inventory information is released. The big question for next year: Will the drought in California cut canned-tomato supplies and push up prices?

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NRN Photo

At American eating 'joint' are partners John Terczak, left, and Larry Peters.

Terczak defies recession, opens 3 new Chicago places

John Terczak is a good example of a restaurateur who is not deterred by the recession. He is a chef at operations as Gordon in Chicago and numerous restaurants in New York — where he worked for the American Stanhope Hotel and David Keh — has opened three restaurants in the last six months. And he's planning to open still more.

"The public has \$10 or \$15 in their pockets to spend for dinner on a regular basis, but not \$30. It doesn't matter what the economy does," Terczak said. His three new restaurants — Ketchup, Tamales and Chameleon — are targeting frequent diners who live in the surrounding neighborhoods. And as Terczak is fond of saying about any of those three restaurants, "It's not a place to go for dinner; it's a place to eat."

He makes an exception for his older restaurant, Terczak's, which has a \$25 check average for its large portions of home-style dishes. He said that a variety of circumstances made it possible for him to start new businesses in rapid succession — availability of investors, reasonable rents in spaces where other restaurants had failed, low overhead and the right partners and managers. (See **TERCZAK**, page 49)

NRA rails against FDA over labeling proposal

by Peter Romeo

WASHINGTON — The National Restaurant Association has blasted the Food and Drug Administration for suggesting that restaurants meet certain of the nutrition-information requirements that were recently proposed for packaged-goods suppliers. Congress specifically exempted restaurants from a watershed 1990 law that will soon obligate food processors to provide a detailed nutrient breakdown of the products on the foods' packages. However, in drafting the regulations that would put the

law into practice, the FDA suggested that restaurants would lose their exemption — at least in part — if they were to make nutritional claims about their fare. At the very least, the agency said, restaurants would have to express their claims by using a glossary of "descriptors," such as "light," "fresh," "reduced" (as in "reduced-fat") and "free" (as in "salt-free"). Each of the descriptors has been explicitly defined by the FDA in an attempt to standardize the meaning of those commonly used terms. (See **FDA**, page 48)

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Wendy's must ignore Wall St., keep on rolling

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Cooking tips from France's greatest chef

Book Digest/Page 31

Gilbert/Robinson files for Ch. 11

by Peter O. Keegan

KANSAS CITY, Mo. — Gilbert/Robinson Inc., franchisor of the Houlihan's and Darryl's chains, has filed for Chapter 11 bankruptcy protection, another victim of an overleveraged buyout in the late 1980s. Hobbled by Gilbert/Robinson's \$188 million debt load, executives of the 104-unit casual restaurant company found themselves unable to service the mounting interest payments while continuing to maintain operations. Comparable-store sales were also down between 2 percent and 4 percent earlier this year, due to the recession, further constricting the company's cash flow. "We could have limped along for another year or so, but we looked at the debt plus reduced sales and sat back and said, 'We'd better do it now,'" explained Frederick Hipp, president and chief executive of Gil-

bert/Robinson. "We felt that we couldn't maintain the viability of the company with this debt load; it needed restructuring. Our No. 1 purpose is to renegotiate the debt, reduce it and lower interest rates." Last year the company paid more than \$26 million in interest payments. Hipp stressed that "it remains business as usual at all Gilbert/Robinson restaurants. All restaurants will remain open. There will be no layoffs at corporate level or in the field." With operations in 25 states and the District of Columbia, Gilbert/Robinson's restaurants include 60 Houlihan's, 31 Darryl's, six specialty seafood restaurants, six dinner houses and the "Buena Vista" cafe. The company employs about 11,000 people. In addition to Gilbert/Robinson Inc., I & M Acquisition (See **GILBERT**, page 48)

Self-serve bars help B&I feeders 'do more with less'

Recession spurs buffet-service growth as contractors fight to trim labor costs

by Robin Lee Allen

NEW YORK — Business and industry contract feeders seeking the delicate balance between their customers' culinary demands and shrinking corporate subsidies are finding self-service an increasingly attractive way to tip the scales in their favor. Now, alongside the familiar salad bars and self-serve beverage stations that have long graced cafeterias are a growing number of hamburger and hot-dog topping bars, taco bars, yogurt and ice-cream bars, soup bars, sandwich bars and even hot-entrée bars where customers help themselves and pay by the ounce. Although considered somewhat impersonal, self-service bars and buffet-style spreads reduce costs by eliminating personnel, not customers' food se-

lections, and they are appealing to customers who want to control what they eat and how much. "Self-serve is a way of doing more with less," said Gary Cunderson, corporate manager of Motorola Foodworks in Phoenix and president of the Society for Foodservice Management. SFM is an industry association for business and industry contract feeders. "We're able to sell our products and remain competitive by using our guests and customers to serve their own food." The recession has spurred the growth of cafeteria self-service stations as corporations look for discreet ways — that is, ways without a detrimental effect on their employees' morale — to save money. (See **SELF-SERVE**, page 8)

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December 9, 1991

NEWS BRIEFS

Congress approves TJTC extension

WASHINGTON — The House and Senate have approved a six-month extension of the Targeted Jobs Tax Credit, a tax break widely used by restaurateurs.

Set to expire on Dec. 31, the TJTC allows restaurateurs and other employers to write off 40 percent of the first \$6,000 they pay veterans, welfare recipients, disadvantaged youths or other persons deemed by the law as being difficult to employ.

The credit is used more commonly in the restaurant industry than it is in any other trade.

Also extended for half a year was the deductibility of insurance costs for self-employed individuals.

Vicorp names Caruso president of Village Inn

DENVER — Vicorp Restaurants Inc., operator of more than 400 family restaurants, has named James Caruso president of its Village Inn division.

Caruso, 37, had been serving for the past year as Village Inn's executive vice president of company operations. The prexy post at Village Inn had been vacant for 16 months.

Up until Caruso's appointment, Robert Benson, president of Vicorp Restaurants, had overseen the day-to-day responsibilities of the 230-unit Village Inn division. Vicorp also operates about 180 Baker's Squares.

Congress exempts meat-topped pizzas from USDA rule

WASHINGTON — Congress has granted a USDA exemption that allows pizzas served with pre-cooked meat toppings to be served as part of the National School Lunch Program.

Effective Aug. 1, such pizzas are exempt from on-site USDA inspection rules limiting meat content to 2 percent providing that the products already have met USDA guidelines at the facility where they were initially prepared.

Previously, public schools buying meat-topped pizzas from such outside vendors as Pizza Hut were restricted to using products with minimum meat content. Prior rules established pizzas topped with more than 2-percent meat content as a meat product and therefore subject to a second USDA inspection.

KFC to buy 28 units from franchisee

LOUISVILLE, Ky. — Kentucky Fried Chicken has agreed to purchase 28 KFC restaurants from McFarland Foods Corp., an Indianapolis-based franchisee.

Twenty of the KFC units are located in the metropolitan Indianapolis area, and the other eight restaurants are located in the Indiana towns of Beech Grove, Brazil, Fortville, Muncie, Noblesville and Speedway.

H. Richard McFarland, a KFC franchisee since 1975, is selling the 28 units but is remaining a franchisee with four restaurants in Kentucky and a partnership interest in two Indiana units.

Portland landmark changes its name

PORTLAND, Ore. — Genoa, the critically acclaimed Italian restaurant known for its innovative management style as well as its signature seven-course meals, is changing ownership.

Amelia and Fred Hard, owners for the past 10 years, said they are selling the small dinner-only restaurant to four senior employees: Kerry DeBuse, Joan Husman, David Burns and Catherine Whims. The Hards' departure marks the fourth change of ownership in the restaurant's 20-year history.

Founded by Michael Vidor in 1971, Genoa has long been a favorite among Portland's fine-dining enthusiasts. Unlike most restaurants, Genoa has no executive chef. The duties normally assumed by a chef, including menu planning and purchasing, are rotated among senior kitchen staffers.

McD found guilty of negligence over playland mishap

BAKERSFIELD, Calif. — A jury in the Superior Court of California has found McDonald's guilty of gross negligence and breach of public trust in a lawsuit stemming from the use of defective playground equipment that broke a 6-year-old girl's leg in two places in 1988.

As a result of the verdict, McDonald's faces the prospect of paying Marlene Escalera, now 8, more than \$10 million in damages, which have yet to be determined.

Escalera was playing on a Tug-N-Turn merry-go-round at a McDonald's unit in Delano, Calif., when her shoelace caught on a loose bolt, tearing her tennis shoe and fracturing her leg.

McDonald's could not be reached for comment on the ruling.

Denny's develops downsized unit for small markets

SPARTANBURG, S.C. — Denny's, the family restaurant chain headquartered here, said it has developed a scaled-down unit that will allow the 1,375-unit operation to expand into less-populated areas.

The downsized Denny's model measures out at 2,700-square feet and seats about 80 customers. In comparison, a standard Denny's restaurant ranges between 4,600-6,700 square feet with a seating capacity of 150 to 185. The smaller version, however, will offer the same menu as its larger counterpart.

According to Denny's parent TW Services Inc., construction on the first downscale Denny's is scheduled to begin this month in Landrum, S.C.

Foodmaker Inc. goes public again

SAN DIEGO — Foodmaker Inc., the parent company of Jack in the Box and Chi-Chi's, has registered with the Securities and Exchange Commission an initial public offering of about \$200 million of common stock for a proposed recapitalization plan that also will include a public debt offering.

Net proceeds from the offering will primarily be used to purchase a portion of the company's existing debt.

The company has moved between the public and private realms often in recent years as officials try to eliminate debt.

Shoney's opens two Chicago units in converted Wag's

CHICAGO — The first two Shoney's restaurants to open in converted Wag's, formerly owned by Marriott Corp., have opened in the suburbs of Hoffman Estates and Lansing, Ill.

"They look like new Shoney's instead of remodeled Wag's," said Robert Blessing, chief executive officer of Lunan Corp., a Shoney's franchisee which bought 29 Wag's from Marriott last year. He expects the remaining Wag's to be converted to Shoney's within the next 1½ years.

Dial completes restructuring, sells divisions

PHOENIX, Ariz. — Dial Corp., the parent company of Dobbs International Services, Dobbs Houses and Restaura Dining Services, said its board approved a previously announced restructuring plan to spin off the company's commercial lending and mortgage insurance businesses to its stockholders.

The restructuring, which does not involve the contract services businesses, "will enable Dial to focus on its core businesses, consumer products and services," said John W. Teets, Dial's chairman, president and chief executive.

Under the approved plan, a new company, called GFC Financial Corp., will be created from Dial's Greyhound Financial Corp., Greyhound European Financial Group and Verex Corp.

Food court mishap injures 12 at N.J. mall

PARAMUS, N.J. — Twelve Christmas shoppers hungering for a meal at this city's Garden State Plaza Mall were injured when a large plastic food court sign fell and hit nearby diners.

The 12 customers were examined and released without serious injury from the Nov. 30 incident, in which a pizza restaurant sign apparently became detached and fell.

The case is under investigation by local police.

FINANCIAL NEWS

CNL to trade properties for Golden Corral stock

by Robin Lee Allen

RALEIGH, N.C. — CNL Group, a diversified real-estate company, has proposed swapping some of its restaurant properties for 16 percent to 20 percent of the outstanding shares of Golden Corral Realty, a landlord of Golden Corral steak houses.

Both Golden Corral Realty, a real-estate investment trust, and Golden Corral Corp., operator of the 440-unit family steakhouse chain, are owned by Raleigh, N.C.-based Investors Management Corp. Golden Corral Realty owns the real estate beneath conventional Golden Corral units, which lease the land.

In government securities filings, Investors Management indicated it was concentrating on development of its new Golden Corral Metro Market concept rather than on the traditional Golden Corral units that occupy plots like those owned by Golden Corral Realty. The shift in strategy leaves the trust with limited growth opportunities.

CNL's proposed equity investment would help Golden Corral Realty grow by converting it from a finite-life REIT to a perpetual-life REIT, said Edward Clark, the REIT's president.

As a finite-life REIT, the company is obligated to liquidate its holdings when they mature, or come to the end of their leases, Clark said. The company has 28 properties and is required to pay out 95 percent of its taxable income to stockholders each year.

"Under our present setup, if we sell the property in the first 10 years, we may reinvest in other restaurant properties," he said. "After that we must distribute funds to stockholders, which reduces the company size, so ultimately you have no company. The decision was made to change that and become a perpetual-life REIT, and to do that, you have to acquire more properties."

Golden Corral Realty

Business: Real estate investment trust (REIT) that owns and leases land beneath Golden Corral steak houses.
Holdings: 28 properties.
Headquarters: Raleigh, N.C.
Parent company: Investors Management Corp.
Leadership: Edward Clark, president.

"The proposal by CNL calls for investment by CNL of restaurant properties subject to long-term, high-quality, triple-net leases in return for common stock of Golden Corral Realty," Clark added.

Orlando, Fla.-based CNL owns and operates units of Burger King, Denny's, Golden Corral, KFC, Pizza Hut, Shoney's, Taco Bell and Wendy's. The \$10-per-share price tag is based on the estimated income from CNL's properties, Clark said. He would not disclose how many or which concepts were involved in the swap, but noted that Golden Corral Realty would be adding different restaurant types to its portfolio.

Also under negotiation is the transfer of Golden Corral Realty's management to a CNL affiliate. The company is currently managed by another fee-paid advisory company, he said. "CNL will assume management of the company and will also have a stake in the company."

CNL officials would not comment on the potential deal, noting that it is still subject to approval by involved parties.

In July, Golden Corral Realty began to explore future business strategies, including the sale of the company, according to documents filed with the Securities and Exchange Commission. That action was prompted largely by Golden Corral Corp.'s decision to focus its attention on the development of its new and larger Metro Market units.

CNL's proposal was one of many received from a solicitation made through the company's financial adviser, Alex. Brown & Sons.

Timing for the change was optimal because Golden Corral Realty is currently in the middle of its 15-year leases with Golden Corral Corp., Clark said.

"In our Golden Corral leases the initial terms were 15 years, and we have nine years remaining," he explained. "Golden Corral has three five-year renewal options, but we thought this was the appropriate time to make the decision rather than wait until we got to the end of our leases."

"The acquiring property will be in a better position to renew leases or dispose of the properties. Our hope is that whoever acquires it will have grown it considerably, whereas if we don't grow it, we'll have a big problem."

An affiliation with CNL will give Golden Corral Realty an active management group, Clark remarked. "They have people in real estate buying, managing and selling constantly."

The proposed deal is contingent on many conditions and the approval of Golden Corral Realty's board of directors and stockholders. Clark anticipates that stockholders will be asked to approve a new company name because the intended future company will include restaurants other than Golden Corral.

FACT FILE

Food purchases in largest jail jurisdictions (1989)			
Jurisdiction	Average population	% vs. '87	Estimated food purchases (\$MM)
L.A. County, Calif.	22,426	31.0%	\$20.2
New York City, N.Y.	16,500	52.9	14.9
Harris County, Texas	8,206	82.4	7.4
Cook County, Ill.	7,000	23.8	6.3
Dallas County, Texas	5,800	100.9	5.2
Dade County, Fla.	4,773	36.7	4.3

Source: Institutional Foodservice Food Institute Report

FINANCIAL DIGEST

Interest costs pound Steak n Shake parent

INDIANAPOLIS — Increased interest expenses and year-long couponing contributed to a 34-percent decline in Consolidated Products net income, to \$3.2 million, on a 10-percent gain in revenues, to \$117.1 million, for the year ended Sept. 25.

The company's income before taxes and interest was \$10.9 million, up 7 percent. Interest expenses soared to \$5.5 million, from \$2 million last fiscal year, because of the company's recapitalization plan in the first quarter.

Adding to the pressure on income was advertising costs associated with a television campaign and year-long newspaper value coupon inserts.

For the three months of the fourth quarter, the parent company of the Steak n Shake chain said net income fell 31 percent, to \$912,517, on a 6-percent increase in revenues, to \$28.1 million.

Checkers' IPO ups Rally's share price

NEW YORK — The completion of Checkers Drive-In Restaurant Inc.'s initial public offering not only raised capital for the company but also enhanced the share value of arch-rival Rally's, at least for a day.

Checker's hit the market Nov. 15 with more than 2.1 million shares at \$16 a share, or \$4 more than what the company had expected when it filed its Securities and Exchange Commission documents in September. Before the day was out, Checkers' issues were trading at \$24 a share.

Rally's share price jumped 4 percent during the day to close at \$14.25 in heavy buying.

Some analysts suspect that Rally's shares surged from the spillover effect of Checkers' issues.

Michael Mueller, an analyst with Montgomery Securities in San Francisco, said it is common for issues in the same segment to surge when a competitor makes a new equity offer.

But since Rally's and Checkers are the industry's only publicly traded double-drive-thru burger contenders, Rally's was bound to inflate, Mueller suggested.

Uno Corp.'s annual revenues soar

BOSTON — Despite a 30-percent rise in revenues, Uno Corp. posted a 17-percent decline in net income, to \$3.2 million, for the year ended Sept. 29.

The company, operator of the Pizzeria Uno pizza chain, noted that income was pared by a \$135,000 write-off for an express unit that closed in New York.

During the final quarter of the year, Uno's net income fell 14 percent, to \$1 million, on a 28-percent revenue rise, to \$20.1 million.

Same-store sales during the quarter fell 2.2 percent.

However, the company's revenues rose by the sharpest increase in nearly two years, jumping by almost one-third, to \$71.3 million. Uno said sales grew despite the continuing economic difficulties in its Northeastern markets.

Aaron Spencer, chairman and chief executive, said he expected that corporate actions to improve the company's profitability would pay off by early 1992.

Wendy's shareholders react to news delay

DUBLIN, Ohio — Wendy's said heavy selling of its stock and a 38-cent drop in its share price were linked to financial news services that delayed reporting by one week a company announcement that chairman Dave Thomas was selling 590,000 shares.

As a result of the delayed reporting, investors mistakenly thought that Thomas was tendering a second block of stocks, prompting them to unload their issues and resulting in more than 800,900 shares changing hands in one day. Normally, Wendy's average daily trading volume is 352,000 shares.

In early November Wendy's announced that Thomas had sold part of his stake in the company for \$5 million. But several news agencies did not pick up on the news until Nov. 15, a full week after Wendy's filed with the Securities and Exchange Commission. Wendy's share price closed on Nov. 15 at \$8.50, a 3-percent drop.

FOOD PRICE OUTLOOK

Coffee outlook uncertain for next year

by Patt Patterson

Green coffee prices at the New York docks have stayed low for many months, but that could change next year. There are two factors that might push up coffee prices. One is the hot, dry weather gripping Brazilian coffee regions, which may damage the crop. The other is another try for exporting quotas that the International Coffee Organization is going to make this month. If one or both of those factors fully develop, the result will mean much higher prices for green beans and therefore for roasted coffee.

Frozen concentrated orange juice prices may move up again. The question is whether Florida will be hit by freezing weather in the coming weeks.

As it stands, the quality of the current crop looks good even if volume isn't up to the level forecast earlier this year. The short-fall means producers have to buy more Brazilian juice. The Brazilians raised prices the early part of November, and further increases are possible, some observers say.

Canned cling peaches are moving up in price on short inventories. Some producers expect to run out of product well before the new season starts next year. Distributors have been scurrying to lay in adequate supplies for their regular customers. Fruit cocktail and mixed fruits are also in tight supply. And apricots may be placed on allocation. Pears are

also short. Expect further price increases as pressure on stocks increases.

Iceberg lettuce prices moderated in late November. Strong production from the San Joaquin Valley, combined with unexpectedly good production from western Arizona, has brought shipping point prices down. The poinsettia whitefly that has infested Arizona and California desert growing areas apparently is not carrying the infectious yellows virus, and thus far that has minimized damage to the lettuce crop there.

Leaf lettuce prices remain at the year's low, mostly because of large-scale expansion of fields, particularly in the Salinas Valley of California.

SEGMENT STUDY: FAST FOOD

SCENES FROM THE MALLS

(Continued from page 25)

more financial security — both from a credit standpoint and more solid sales due to the impact of national advertising.

Foodservice operators pay malls a percentage of sales for rent, so obviously, developers are looking for the highest sales producers possible.

"If an independent is in there, the mall owner will wait until the lease is up and then go with major chain," Paul says.

Yet Carlson maintains that a mix of both national chains and independents are needed to provide variety. "There's room for both indies and chains," Carlson remarks. "A center that hitches its wagon to one star won't survive as well."

Many large chains such as McDonald's and KFCs have long avoided mall development. One reason may be lack of control over such things as common eating areas, seasonality of traffic, and restricted operating hours.

Also, many chains do not like having to report monthly sales figures to the owner, and are wary of physical space limitations. In addition, developing prototypes to fit the allotted food court and in-line pads is not an easy task.

Chick-fil-A, a chain that has grown through mall locations since 1967, has seen times change in mall food service.

"It used to be three or four in-line food operations in the old days," Perry observes. "Now we are one of many major fast-food operations."

A good percentage of the company's operations are in-line, which Chick-fil-A prefers over food courts because it has more control over operations. Yet many malls are adding food courts, and the company realizes they have to be in there to compete.

"Our challenge is to stay visible," Perry explains. "The reality is, if you are in a mall, you have to be in a food court."

Perry notes that the company is looking forward to the holiday season, when sales usually go way up. To lure patrons, Chick-fil-A is readying its holiday meal combination, a chicken sandwich, fries and a soda set at a low price point.

He says that when the big names start entering malls, it can be a traffic builder, yet "if independents don't have their act together, they can forget it."

The threat of discount malls could hurt some for the established retailers as value and price become the name of the game in retail as well as in foodservice.

Everything Yogurt, a Staten Island, N.Y.-based chain that boasts locations at 130 different shopping centers, opened up a unit in the Sawgrass Mills outlet one year ago in Sunrise, Fla. "We are in several discount malls and do relatively well," says Everything Yogurt president Stephen Beninati. "But we don't see the same volumes at those centers because there is more competition in the number of stores in the food courts."

Beninati explains that to increase sales, the company has unveiled a new prototype called Everything Yogurt and Salad Cafes, featuring an array of salads. "We have seen sales increases in our brand new stores from 25 to 100 percent," says Beninati, who is enthusiastic about the concept and will begin converting stores soon.

Young chains offer mall diversity

Meanwhile, a new crop of young, diverse chains and independents are springing up at the nation's malls, offering everything from vegetable sandwiches to hot dogs on a stick — and many are finding the mall route to be an easy way to start a business.

Tortola, a four-unit Mexican con-

cept based in San Francisco, found that competing head on with Taco Bell in Sacramento's Arden Fair Mall didn't hurt it at all. "We realize we are in different markets, and people who eat at Taco Bell don't eat here," says Steve Scarpulla, Tortola president. With a \$4 average check, the chain is positioned far above the value pricing at Taco Bell.

"What's happened is that Taco Bell — from size alone — has educated the entire country on Mexican food and has opened up different segments of the market," explains Scarpulla, who took his family dinner-house concept and steered it toward a new direction, malls.

The concept, which brings in \$750,000 in annual unit sales at its mall locations, will begin offering guest check payment services by automatic teller machine ATM cards beginning in January.

Young chains use mall locations as a way to get off the ground, because foot traffic and low start-up costs make it attractive. "If one fails, they come up with a new idea," Paul points out. Some malls even help with financing.

With approximately 13 percent of food courts vacant, mall operators are more than willing to give someone just starting out a chance. New Jersey-based Sommers Consultants Inc. has developed its own program to work with developers, marrying concepts with mall locations. The firm currently represents four fast-food mall-oriented chains, Roli Boli, Stuff'n Turkey, My Favorite Muffin and New England Seafood.

"Mall developers are willing to work with us to help find franchisees," observes marketing coordinator Stacey Sommers. "In some cases the mall developer will even help finance part of the franchised stores."

Sommers notes that from a franchising perspective there is more interest in business start-ups than ever before, as the recession makes people look outside of traditional jobs for money.

Roli Boli, a chain featuring a rolled, closed stromboli-type sandwich made with French bread dough and filled with a variety of stuffings, has 11 stores open and is targeting another 10 to 20 mall operations in 1992. Sommers says the concept does a lot of sampling to give consumers a taste of the unfamiliar product.

Stuff'n Turkey, one of the growing number of chains offering turkey, is flying high on the surge in consumption by health-conscious consumers. The 21-unit Owings Mills, Md.-based concept encompasses 600 square feet and rings up more than \$500,000 in sales — with an average check of \$5.50 — and plans to double its size next year.

Selections include overstuffed turkey breast sandwiches, roasted turkey breast, smoked turkey, Oriental turkey salad, turkey with pasta, turkey pot pies and barbecued turkey along with specially baked breads and side dishes like macaroni and cheese and homemade stuffing.

"There is a need for healthful alternatives in food courts," Sommers notes. "Anchors are not bringing in the business right now, so developers are looking for variety in their food courts."

Even though the recession has hit malls heavily and many anchors are in bad financial shape, mall food court operators continue to thrive. "People are not visiting malls as much as they used to, but they are still coming on a regular basis," comments Ken Smith, chairman and co-founder of the Steak Escape, a mall-based operation with 80 stores in 28 states and in Japan.

"Our upfront exhibition-style cooking is a departure from the 'magic window' syndrome at other fast-food places," Smith explains, "where you

Food tenant sales, 1991 vs. 1990

	1991 sales per square ft.	1990 sales per square ft.	'90 vs. '91 sales per square ft.
Oriental	\$571.25	\$428.38	33.4%
Mexican	518.31	435.57	19.0
Hamburger	483.09	453.58	6.5
Yogurt	432.15	412.59	4.7
Seafood	413.40	384.03	7.6
Pastry/Croissant	406.31	360.05	12.8
Greek	403.28	381.20	5.8
Cookies	397.33	431.61	- 7.9
Pizza	395.66	430.20	- 8.0
Sandwiches	393.47	372.64	5.6
Chicken	365.57	473.05	- 22.7
Potatoes	357.88	421.47	- 15.1
Others	352.54	264.62	33.2
Hotdogs	321.45	445.10	- 27.8
Barbecue	320.17	399.69	- 19.9
Ice Cream	309.95	382.26	- 18.9

Source: Carlson Report

Ethnic fare spices food court sales

Mirroring food trends across the country, a variety of ethnic foods are bringing new tastes from around the world to the nation's food courts.

According to the 1991 Carlson report food court survey, Oriental food has replaced chicken as the top grosser in sales per square foot, followed closely by sales at Mexican-themed food court operations.

Chicken dropped to No. 11, though it still commands the most sales per year at an average of just over \$500,000 per annum in sales. The three food court players that posted double-digit-per-square-foot sales increases over the prior-year results were Oriental, Mexican and Greek, with the biggest losers being chicken, hot dogs, barbecue and ice cream.

"Most of us are becoming comfortable with foods of different ethnic origins," says Harold J. Carlson, president of Harold J. Carlson Associates, a consulting firm that specializes in shopping centers.

don't know who made it or what it is made out of."

Steak Escape showcases its vegetables and meats in glass refrigerated cases so customers can see fresh vegetables, cheese and meat for themselves. In addition to a variety of cheese steaks, the chain serves ham and turkey and vegetarian sandwiches made on freshly baked buns as well as sizzling salads, salads topped with grilled meats.

"Basically you are paying premium rent for guaranteed traffic," says Smith, adding that mall tenants pay a base rent and then 10 percent over every dollar after a certain breakpoint in sales — say \$300,000. "The upside is that if you don't have that much equity, you can still be exposed to a community of 30,000 people or more."

Steak Escape has a mall employee discount program that offers workers discounts from 10 percent to 20 percent and uses sampling to get the word out. "Since we began in 1982, I haven't seen a decline in steak subs," Smith points out. "Steak and potatoes are an American staple; they're just done in a unique way."

Even though sandwiches are tough

"Mall food courts are now catering to a gamut of tastes, including Chinese, Mexican and Italian."

Carlson says even the traditional soup and sandwich is getting jazzier. "Customers are becoming more ambitious in their selections," he explains. "And operators are responding by offering new things — like a wild rice soup or a more outrageous type of sandwich."

Sandwiches still make up the largest category for mall food courts, taking up 12 percent of food court tenants, according to the report, yet the category captured less than six cents on the food court dollar. Chicken takes up 11 cents of every food court dollar, followed by pizza (9.97 cents), Mexican (8.19 cents) and hamburgers (8.16 cents).

Carlson says that mall employees, many of whom eat their meals in malls, also demand ethnic variety, and if they don't get it, they will go elsewhere for their afternoon or evening meals. — Peter O. Keegan

competition, Smith is looking to open a sister concept that would serve Philly cheese-steak sandwiches plus a line of cold and specialty subs.

Tom Hester, president and chief executive officer of Rocky Rococo pizza, based in Madison, Wis., says the company is targeting malls for future growth. The chain has two mall locations that serve pizza by the slice, and it is finding stronger sales there than in its free-standing or strip center locations.

"It makes things easier to manage. No tables to bus mean less labor and management," Hester explains. "The waste is lower, and traffic is higher."

When the company pulled out of the St. Louis market a couple of years ago, it left its mall unit intact and was surprised at the results. "We couldn't penetrate the market, but sales at the food court remained stable," Hester notes. "It just goes to show you name recognition in the market is not as important as having a good product."

He added that the entry of the big chains would make competition tougher for everyone. "When you bring in McDonald's, you can't help wondering what's going to happen to the little guy."

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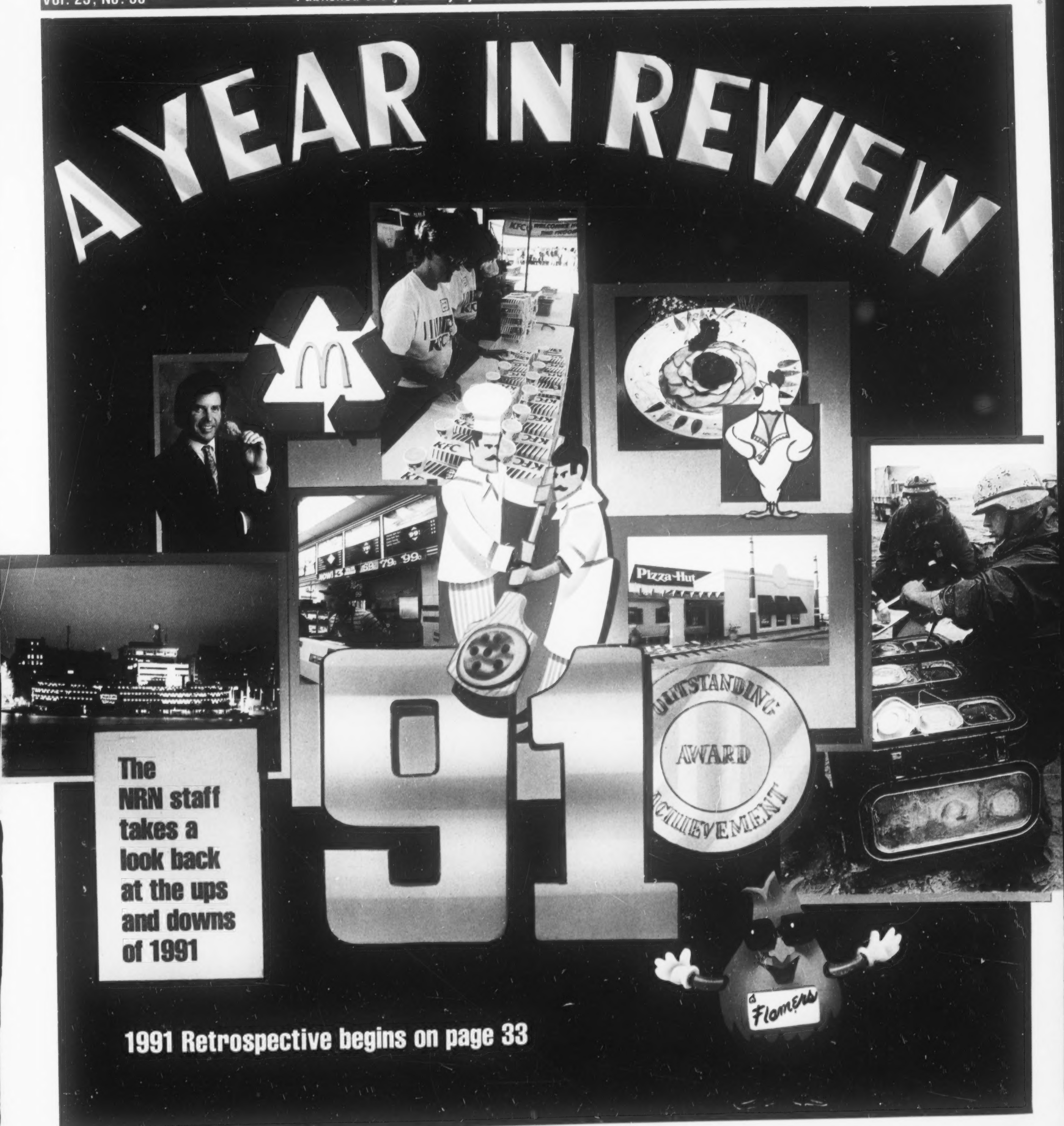
SECOND CLASS

Vol. 25, No. 50

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December 23, 1991

A YEAR IN REVIEW



The NRN staff takes a look back at the ups and downs of 1991

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December 23, 1991

NEWS BRIEFS

Sales up 4.2% in November, government says

WASHINGTON — Sales at the nation's eating and drinking places rose year-over-year by 4.2 percent in November, marking the strongest uptick in three months, according to government reports.

Meanwhile, the rate of increase in menu pricing declined for the third month in a row in November, up just 2.9 percent on a year-to-year unadjusted basis, the U.S. Labor Department reported in its Consumer Price Index.

Since August, when the food-away-from-home component of the CPI hit 3.3 percent on an annual unadjusted basis, the rate of menu-price inflation has fallen 0.1 percent each month.

The slowing rate of menu-price increases reflects a decline in the agency's Producer Price Index as finished consumer foods, or wholesale foods, fell 1.5 percent in November, following a year-long trend. Steep drops in meat and produce attributed to the decrease.

When November's 4.2-percent gain in sales is discounted against the 2.9-percent rise in menu prices, the figures suggest that restaurant traffic rose 1.3 percent.

Food prices at the nation's grocery stores grew modestly in comparison with menu prices, rising 0.9 of 1 percent on a yearly basis.

Overall, the CPI — the nation's most important gauge of inflation — is up 3 percent over last year's.

Congress eyes permanent renewal of TJTC

WASHINGTON — After renewing the Target Jobs Tax Credit for another six months, Congress has scheduled hearings on the possibility of permanently extending the tax break — an opportunity that the restaurant industry has long pursued.

The credit enables employers to write off 40 percent of the first \$6,000 that is paid to certain hard-to-employ workers. It is used more widely in the restaurant industry than in any other trade.

Traditionally, Congress has renewed the credit for a year at a time, forcing restaurateurs to fight for an extension every 12 months. Although the industry and its business allies have prevailed each time, the process has greatly taxed both lobbyists and lawmakers. Food-service officials have argued that the break should be permanently extended, citing both the time that Congress would save and the need to preserve a major incentive for hiring the disadvantaged.

Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, recently voiced agreement that the periodic renewals do not make sense. He called it an annual ritual that wastes lawmakers' time and taxpayers' money.

Stop-N-Go parent files Chapter 11

HOUSTON — National Convenience Stores Inc., operator of the Stop-N-Go convenience store chain, has filed for Chapter 11 bankruptcy protection from creditors.

The filing came just days after the company disclosed that it was unable to pay \$1.3 million in mortgage debt that was due the first of this month. NCS had reduced debt by \$20 million during its fiscal year ended June 30, with the sale of 51 stores throughout West Palm Beach, Fla., and El Paso, Texas, markets.

NCS lost \$10.5 million during its last full fiscal year and has already reported losses of \$3 million through the first quarter of its current fiscal year.

The company, which operates nearly 1,000 Stop-N-Go stores throughout Texas, Georgia and California, said it would conduct business as usual while it tries to restructure its debt.

'Rock 'n Roll' McD staffers nabbed in drug raid

CHICAGO — Conducting a drug raid at a franchised McDonald's at 600 N. Clark St., Chicago police arrested three employees for dealing cocaine on the premises.

The franchisees of the busy outlet, known as "The Original Rock 'n Roll McDonald's," Angelo Lencioni and Kathy Connelly, said they had been cooperating in the police investigation since last summer.

In unrelated developments, Lencioni and Connelly are selling that unit and one other they own to McDonald's for an undisclosed amount because they plan to open an independent Italian dinner house in suburban Naperville, Ill. For 11 years they have operated the 345-seat unit, filled with rock-'n'-roll memorabilia they have collected.

Days Inns finalizes \$250M acquisition by N.J.-based HFS

ATLANTA — Failing to draw a higher bid, Days Inns has agreed to be acquired for \$250 million by Hospitality Franchise Systems, the New Jersey-based franchisor of Ramada Inns.

However, the deal has not yet been approved by the bankruptcy court that is overseeing Days.

Days, a privately held company, had conditionally agreed some time ago to be acquired by Hospitality Franchise Systems. But to provide time for another suitor to come forward, it disclosed at that time that it would not finalize the deal until after Dec. 9.

Hospitality Franchise System's president is Frank Bellatti, a former president of Arby's. The lodging company is owned by Blackstone Group, an investment group that includes former high-ranking executives of Days.

Disney selects Anaheim for new \$3B theme park

ANAHEIM, Calif. — Walt Disney Co. plans to build a dining-and-shopping complex here as part of \$3 billion, 470-acre theme park and resort.

The proposed Disneyland Resort, an extension of 80-acre Disneyland, would also include the internationally themed Westcot Center and three new California-themed hotels. In choosing the site, Disney ruled out the alternative DisneySea project, a ocean-themed resort that had been proposed for Long Beach, Calif.

Cuellar surrenders CEO's post at Southwest Cafes

DALLAS — Gilbert Cuellar has relinquished his responsibilities as chief executive of Southwest Cafes, franchisor of the 90-unit El Chico Mexican dinner-house concept here.

Cuellar will retain his position as chairman.

The company said it needs new management to complete the company's plans for menu and operational improvements.

Until a new chief executive is named, the company will be run by a committee of five directors, headed by franchisee Joe S. Thompson, according to John Cuellar, Southwest's vice president and general counsel.

The five directors are also on the committee that is searching for a new chief executive.

AppleWest agrees to sell Nev. rights

LAS VEGAS, Nev. — AppleWest, an Applebee's franchisee, has agreed to sell its Nevada franchise territory and three units of the casual-themed dinner house to a company here called Asdar Group Inc.

Asdar noted it would like to acquire rights to franchise the concept in other states.

Applebee's International, the concept's franchisor, has until Jan. 8 to exercise a right of first refusal in connection with the Nevada deal. The company recently announced that it planned to repurchase franchised units.

McD offers new dinner deal in New York

NEW YORK — Some aspects of McDonald's program for boosting dinner traffic are being put to a test here, where company-operated units are experimenting with a special "value" menu after 4 p.m.

The dinner special consists of soup or salad, a large sandwich, large french fries, choice of beverage (8 ounces or 12 ounces) and a choice of dessert, for \$4.99.

The meal is available until the units' closing time.

McDonald's said in October it would refocus its menu development on dinner.

FINANCIAL NEWS

Public offerings to slash Foodmaker's debt costs

by Theresa Howard

SAN DIEGO — Foodmaker is restructuring and reducing its \$650 million debt load through a public stock offering and two individual bond offerings.

Through the combined offerings, the owner and franchisor of Jack in the Box and Chi-Chi's expects to raise about \$500 million and to significantly reduce interest expenses, which battered 1991 earnings.

According to documents filed with the Securities Exchange Commission, the bond offerings are expected to raise about \$315 million. The offering of 9 million common shares of stock, at an issue price expected to be \$22 per share, should generate at least \$183.4 million, the filing shows.

The company recently issued the combined offering, which is subject to SEC approval, in an effort to repurchase two sets of outstanding non-convertible notes, explained Chuck Duddles, chief financial officer of Foodmaker, which owns and operates 684 Jack in the Box fast-food restaurants and 177 Chi-Chi's Mexican dinner houses.

Interest expenses, which cost the company \$93 million during its fiscal year ending Sept. 29, will be greatly reduced thanks to lower rates on new notes.

The company intends to acquire the existing notes — one set of 12.75 percent senior notes worth \$150 million and a set of 14.25 percent senior subordinated notes worth \$300 million — and take on \$315 million in new notes at a considerably lower interest rate. That rate, however, is contingent on the success of the stock offering. The existing notes accounted for just under \$62 million of the company's total interest expenses in 1991.

Foodmaker chronology

1950 — Foodmaker is founded as a private company.

1968 — After 18 years of operation as a private company, Foodmaker is acquired by publicly traded Ralston-Purina.

1985 — Foodmaker management takes the company private by leading a \$450 million buyout from Ralston-Purina.

1987 — Company files for an initial public offering in December and is granted SEC approval early the following year.

1988 — In September Foodmaker is acquired by FM Acquisition in a \$247 million transaction and the company again goes private.

1991 — In December the company again files for an initial public offering with the SEC in an effort to raise capital of \$200 million.

The offering comes after a burdensome year that yielded a sharp 81-percent drop in net earnings. Although interest costs were actually down slightly for 1991 compared with the previous year, the 1-percent drop was not enough to help the company offset flat sales, a sharp increase in cost of revenues and a decline in operating income.

Citing a "substantial increase in restaurant occupancy costs and workers' compensation costs," the company reported a 4.5-percent year-to-year increase in cost of revenues, to \$960.9 million. Additionally, income taxes as a percentage of earnings were up 50 percent over the previous year to 78 percent, which pushed down the company's year-to-year operating income by nearly 7.5 per-

cent, to \$101 million.

Those results — coupled with sluggish comparable-store sales at Jack in the Box and a 5.1-percent decline in same-store sales at Chi-Chi's — net income fell 81 percent, to \$1.7 million for the year, on a slight 3-percent gain in revenues, to \$1.15 billion.

Duddles said the recession, particularly in the Northeast, where the company operates 33 stores, ate up sales throughout the Chi-Chi's chain. Further signifying tough times for the Mexican dinner-house chain, the concept's largest franchisee, Consul Restaurant Corp., has been operating under Chapter 11 bankruptcy protection since September.

Duddles, however, would not comment on reports that his company is reportedly close to signing a deal to acquire Consul, which operates 32 domestic units and 16 restaurants throughout Canada.

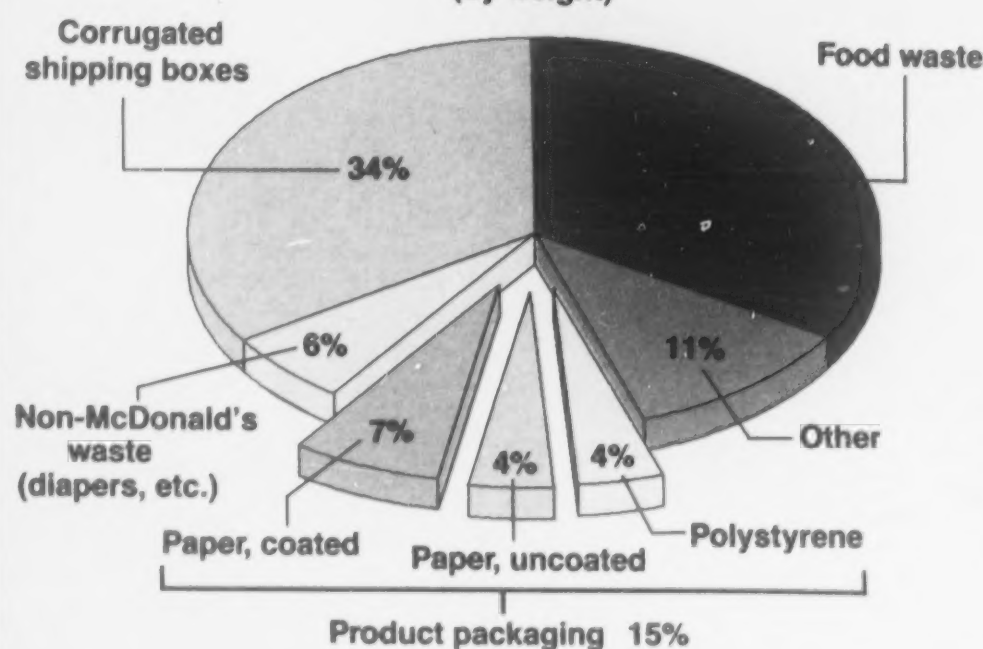
Aside from reducing debt, Foodmaker is also countering the sales downturn through a number of programs designed to boost per unit sales, Duddles said. The company plans to continue adding new products, increase emphasis on customer service and improve quality control and cash management. Foodmaker plans to introduce an average of three new products annually to the Jack In The Box chain and to downsize stores, a strategy that is costing the company about \$150,000 per unit less to build.

Duddles noted that plans for Chi-Chi's include a new ad campaign and an expansion strategy that targets 60 new company-owned stores by 1994.

Foodmaker's filing with (See **FOODMAKER**, page 102)

FACT FILE

McDonald's store waste analysis (by weight)



Source: McDonald's Corp./Environmental Defense Fund joint task force

FINANCIAL DIGEST

Furr's/Bishop's losses deepen in 3rd Q

LUBBOCK, Texas — Debt-plagued Furr's/Bishops Inc. reported a \$2.1 million loss on a 4-percent decline in revenues, to \$68.7 million, for the third quarter ended Sept. 28.

A year ago the company reported a loss of \$876,000.

The company blamed its difficulties on one-time restructuring charges and competitive pressures.

Meanwhile, Furr's/Bishop's said a subsidiary, Cafeteria Operators L.P., is working with bond holders to restructure the company's debt. A tentative plan would give debt holders a stake in the company in exchange for a deferral of interest payments for a year.

If the lenders approve the plan, Cafeteria Operators would spend \$75 million over the next five years to expand the company's specialty restaurant operations and refurbish existing units.

Two Pesos reports flat 2nd Q growth

HOUSTON — Two Pesos Mexican Cafe said its net income rose 1 percent, to \$619,000, on a 2 percent rise in revenues, to \$9.9 million, for the second quarter ended Sept. 30.

Revenues remained flat despite the opening of three restaurants. Profits were depressed by the September acquisition of the 21-unit ShortStop double-drive-thru chain, the company said.

For the six months year-to-date, net income fell 21 percent to \$958,000 on a 2 percent decrease in revenues, to \$19.6 million.

The company operates 55 Two Pesos and 22 ShortStop outlets.

Homestyle Buffet net plunges

OLDSMAR, Fla. — Homestyle Buffet reported a 99 percent plunge in net income, to \$4,000, despite a 19 percent gain in revenues, to \$16.1 million, for the third quarter ended Oct. 9.

For the nine-months year-to-date, Homestyle said net income fell 60 percent, to \$531,000, on a 23 percent gain in revenues, to \$38.1 million.

The company said it has accelerated a drive to cut operating and administrative expenses. As a result of steps taken during the quarter, the company said it has cut individual store's operating expenses by 10 percent and trimmed general and administrative costs by 15 percent.

Steve's Homemade nets \$544K in 3rd Q

LINDENHURST, N.Y. — Steve's Homemade Ice Cream made \$544,000 in net income in the third quarter ended Sept. 28 — almost five times the profit from the year-ago period — on a 35 percent gain in revenues, to \$9.6 million.

The company said the early extinguishment of debt last year played a part in its profitability in the current period. Steve's added that the revenue and net income increases were also the result of product introductions.

For the nine months of the period, the company overcame a year-ago loss to post \$1.8 million in earnings. During the like period a year ago, the company lost \$67,000 after retiring debts of more than \$176,000.

Outback to issue more shares

TAMPA, Fla. — Outback Steakhouses Inc., the Australian-themed steak-house operator that went public in July, told the Securities and Exchange Commission it expects to file another 1.950 million shares.

The company said it expects to sell 900,000 shares in the offering while 1.050 additional shares are proposed to be sold by certain selling stockholders.

Proceeds from the offering will be used to finance restaurant development in 1992 and 1993.

Outback went public in July at an initial offering of \$15 a share. In recent trading, the company's stock price closed at \$39.

FOOD PRICE OUTLOOK

Vegetable stocks vary by commodity

by Patt Patterson

If you use frozen cut corn, frozen corn on-the-cob or frozen french fries, you're in luck. Stocks are higher than they were last year, and prices in most cases are down. On the other hand, if you use frozen spinach, broccoli, cauliflower or green beans, supplies are down and prices are up. Frozen pea and lima bean inventories are about the same as they were last year at this time, and prices are fairly stable.

There are plenty of canned tomatoes around, and prices have been softening. Supplies of sweet potatoes, green beans, carrots and beets are adequate. Prices are stable to lower. Stocks of peas, corn, spinach and greens are down.

Most canned fruits are in

short supply this year, particularly cling peaches, apricots, cherries, fruit cocktail and pears. In better supply than anticipated have been California ripe olives, but stocks are down from last year's, and prices are expected to remain firm.

There's plenty of hams available, both canned and bagged. But the surplus is practically all domestic hams; imported ones are in the shortest supply in five years or more. Although stocks of most foreign hams continue to slide, pressure from the ample domestic supplies keep a loose lid on import prices. No immediate change is seen.

Frozen cod blocks and slabs (from which portions are cut) have been coming in at a great-

er rate than earlier in the year, but supplies are still low. The improvement in inventories, however, has taken some of the pressure off prices. . . . Haddock prices are still at about record levels, with no change in sight.

Broiler prices, which have been hovering near or slightly above last year's at this time, have dropped a bit in mid-December. Turkey stocks are very large, and prices have slipped, even during the heavy holiday usage season. Some observers think it will be the second quarter of 1992 before the excess is moved out and prices rise. Expect turkey producers to cut back — something they've threatened to do many times in the past.

COAST TO COAST

Pa. restaurateurs take hard hits from recession

by Paul Frumkin

WAYNE, Pa. — The prolonged recession in the Northeast coupled with an increase in benefits payments made 1990 a difficult year for many Pennsylvania restaurateurs.

In fact, 59 percent of those operators participating in a study conducted by the Pennsylvania Restaurant Association and the consulting firm Restaurant Advisory Services recorded a net loss for calendar 1990.

The restaurants that seemed to fare the best, according to the 1991 Pennsylvania Restaurant Operations report, were food-only establishments with per-check averages of less than \$7. The study revealed that the profit margin for those restaurants was 3 percent.

Higher-priced operations with check averages running from \$7 to \$12 reported a 1.2-percent profit margin, while restaurants generating check averages exceeding \$12 had profit margins of only 0.8 percent.

"Obviously, the segment hit hardest by the recession was the upscale restaurant segment," said Ronald Gorodesky, president of Restaurant Advisory Services. "On the other hand, many restaurants catering to value-oriented families experienced little erosion."

"The discretionary dollars of those who dine out have been reduced considerably due to the recession," he said. "It would

Average restaurant expenses

Food cost: 29.5%.
Beverage cost: 4%.
Payroll: 29.4%.
Employee benefits: 5.4%.
Direct operating expenses: 7.1%.
Entertainment: 0.5%.
Advertising and promotions: 3.2%.
Utilities: 3.2%.
Administrative and general: 6.1%.
Repairs and maintenance: 1.6%.
Occupancy costs: 5.8%.
Interest: 1.6%.
Depreciation: 2.0%.
Income before tax: 0.6%.
Corporate overhead: 1.0%.

Source: 1991 Pennsylvania Restaurant Operations, Restaurant Advisory Services

seem that people aren't eating out less, just cheaper."

Other factors, however, contributed to the slide in profitability of Pennsylvania restaurants — notably an increase in benefits' costs. Expenses for employee benefits rose from 3 percent of total sales in 1989 to 4 percent in 1990, the report said.

Gorodesky — who previously served as director of restaurant consulting for the now-defunct Laventhol & Horwath in the company's Philadelphia of-

fice — noted that "Congress has been brutal on restaurateurs by requiring them to pay FICA taxes on server tips. We found that a growing list of restaurants are carrying health plans for their employees," he added.

A hike in real-estate taxes also contributed to a decline in profits across the state.

According to the report, expenses for respondents broke down in the following way: food cost, 29.5 percent; beverage cost, 4 percent; payroll, 29.4 percent; employee benefits, 5.4 percent; direct operating expenses, 7.1 percent; entertainment, 0.5 percent; advertising and promotions, 3.2 percent; utilities, 3.2 percent; administrative and general, 6.1 percent; repairs and maintenance, 1.6 percent; occupancy costs, 5.8 percent; interest, 1.6 percent; depreciation, 2.0 percent; income before tax, 0.6 percent; and corporate overhead, 1.0 percent.

In other areas, the report also revealed that Pennsylvania restaurants employ a median total of 31.2 full-time workers; generate a median check average of \$8.25; and enjoy a mean of 1.24 table turns per day.

Gorodesky said his firm sent the survey to more than 2,700 members of the Pennsylvania Restaurant Association and more than 500 non-members. The report is based on more than 100 responses.

COAST TO COAST BRIEFS

'92 Zagat survey ranks LA's favorites

LOS ANGELES — A preview of the 1992 Zagat survey for Los Angeles reveals that six restaurants — including one that recently closed — have ascended into the ranks of the 10 most popular eateries in Southern California.

Patina heads up the Top 10 list, moving up a notch from its No. 2 slot on the 1991 survey. Other repeaters are Matsuhisa, Beverly Hills, No. 3 (up from No. 4); Chinois on Main, Santa Monica, No. 4 (falling from No. 1); and Citrus, No. 10 (it was No. 8). New on the list are C'est Fan Fan, No. 2; Sushi Nozawa, Studio City, No. 5; Shiro, South Pasadena, No. 6; Magdalena's, Bellflower, No. 7; the recently shuttered Cafe Blanc, No. 8; and Diaghilev, West Hollywood, No. 9.

The former Top 10 restaurants displaced into lower rankings are L'Orangerie, Valentino, Le Chardonnay, Campanile and Chez Melange. L'Ermitage, No. 3 in 1991, closed earlier this year.

Zagat's full Los Angeles survey, compiled from reviews submitted by thousands of amateur critics, is due out next month.

Tischenkel takes helm of Fla. association

HOLLYWOOD, Fla. — Veteran south florida Wendy's franchisee and dinner-house operator Jay Tischenkel will take over as president of the Florida Restaurant Association in January, succeeding Bierne Brown, a partner in Naples, Fla.-based Cuisine Management Inc., whose term expires at the end of 1991.

Serving with Tischenkel — who is a partner in the Wendy's franchise group Miami Foods Ltd. and also vice president and general manager of Key Biscayne-based Bayside Seafood Restaurant — will be Frank Day, food service vice president, Sea World, Orlando; Bill Robinson, Fat Willie's Fish Camp, Valrico; Gordon Manus, Santa Fe Steak House, Sarasota and Fort Myers; and Bob Leonard, vice president and chief operations officer, FMS Management Co., a 90-unit IHOP franchisee.

Kostroski elected Minn. Rest. Assn. prexy

ST. PAUL, Minn. — Wayne Kostroski, managing partner of Goodfellows and Tejas restaurants, has been elected president of the Minnesota Restaurant Association.

His three major goals for the association for 1992 are to build a stronger statewide grass-roots network of operators, to increase membership and to involve the association in efforts to help the hungry. He has been the Minnesota chairman for several years for the annual Taste of the Nation hunger relief benefit.

Other 1992 officers are Paul Bell, Bridgeman's Restaurant, president-elect; Richard Henke, The Malt Shop, vice president; Steve Lampi, Bridgeman's, treasurer; Peter Mihajlov, Parasole Restaurants, immediate past president; and Bill Naegle, Restaurants No Limit, National Restaurant Association director.

Evan's welcomes Hansson as chef

HOUSTON — Restaurateur Evan Daily has hired the award-winning Swedish chef Magnus Hansson as the chef at Evan's here.

Hansson, who is credited with earning a Guide Michelin star for The Place and making it Sweden's first Michelin-rated restaurant, has infused his eclectic style into the former Southwestern menu orientation of Evan's.

The chef's new menu features "kick-ass" tuna with smoked barbecue sauce and sweet shallot relish; Black Angus beef tenderloin stuffed with spinach, Mozzarella and prosciutto; vegetable pancakes with tempura vegetables and a mixed mushroom ragout; and fudge brownie cheese cake with a basil custard sauce.

Cadillac veteran joins Kimpton Group

SAN FRANCISCO — Jeffrey Warner, formerly general manager of Cadillac Management Inc., operator of the Cadillac Bar, one of this city's first contemporary regional Mexican cuisine restaurants, has joined the Kimpton Restaurant Group here.

Warner was appointed general manager of Kimpton's Corona Bar & Grill, a high-volume regional Mexican cuisine restaurant off Union Square. Before joining the San Francisco company headed by hotelier-restaurateur Bill Kimpton, Warner had been the opening general manager of Good Eats, a smokehouse and barbecue restaurant in Santa Fe, N.M.

As general manager of Cadillac Inc., Warner said, he had overseen the construction and preopening of six of the company's restaurants, including the Cadillac Bar. He noted that he has a degree in hotel and restaurant management from the University of Denver.

Tuesday Night-Value Night gets under way

SOMERSET, N.J. — The New Jersey Restaurant Association said it has received more than 1,000 telephone requests for information on restaurants participating in its Tuesday Night-Value Night promotion.

NJRA's dining-out program, which is based on New York City's Tuesday Nite Out, offers patrons pricing incentives if they visit participating restaurants on Tuesday. Unlike the New York version, which offers a 15-percent discount across the board, New Jersey restaurateurs provide a variety of incentives — from free desserts to special pricing for parties of three. So far, 47 restaurants have signed up for TN-VN. The program is slated to run through August 1992.

France's Kamman shares her insights on the kitchen

by Alan Liddle

ST. HELENA, Calif. — Speak with Madeleine Kamman briefly, and you might find yourself agreeing with the person who once referred to her as "that feisty and infuriating French woman."

But attend her speaking engagements often or, better yet, spend some time talking one-on-one with her, and Kamman begins to resemble the person the French government and many of her fans believe her to be. She was recently nominated by the Minister of Culture of France to the title of "Chevalier" in the French Order of Arts and Letters.

French Consul General Yvon Roe D'Albert said nomination into the order is an honor bestowed annually to a small group of people. Recipients, D'Albert indicated, are individuals "who are famous in the art and literary fields for the originality of their talent, quality of their production, their promotion of French language and culture, and development of cultural relations between France and the United States."

Kamman, by accepting the award at a small private ceremony in San Francisco, joined a select group of honorees. Among the other recipients have been actresses Elizabeth Taylor and Bette Davis, dancer-actress Ginger Rogers, writers Truman Capote and Norman Mailer, and film director Sydney Lumet.

A former cooking-school teacher and Boston restaurateur who went on to write several food-related books and star in a Public Broadcasting System television cooking series, Kamman has

Even Kamman's biggest fans concede she can be "controversial." But that might be said of anyone who is not afraid to speak his or her mind regarding current events or broad issues.

been director of Beringer Vineyard's School for American Chefs in the Napa Valley since its inception in 1989. She was born in Paris, educated at the Sorbonne and cut her culinary teeth beginning at age 9 in her aunt's Michelin guide-rated restaurant in the Loire Valley.

Several of today's bright young chef-restaurateurs, including Jimmy Schmidt and Cindy Black, have grown through their association with Kamman. Many others, including legions of the "undiscovered," hope to spend time with her at the School for American Chefs.

Even Kamman's biggest fans concede she can be "controversial." But that might be said of (See KAMMAN, page 102)

1991 RETROSPECTIVE

A YEAR IN REVIEW

Anniversaries

While profits are critical to longevity, foodservice operations also measure success by the number of years in business and the number of units they've opened. Included below are a few concepts that have been around for longer than most people can remember, and others that have expanded more rapidly than many would have predicted.

January

Five years ahead of schedule, Subway Sandwiches and Salad opened its 5,000th unit in Seguin, Texas.

February

EMCO Foodservice Systems rang in its silver anniversary. The purchasing and marketing cooperative celebrated 25 years with a Silver Banquet in Palm Springs, Calif.

March

White Castle marked its 70th anniversary. The square-hamburger chain celebrated with year-long promotions, including a five-cent hamburger promotion in January and a full-page advertisement in USA Today.

May

American Express celebrated the 100th anniversary of the company's "don't-leave-home-without-them" Traveler's Cheques. The company rolled a network television spot starring the company's 18-year spokesman, Karl Malden, to commemorate the special event.

June

Hard Rock Cafe celebrated 20 years by rolling back prices in honor of its 1971 launch in London. During a June promotion, the hamburger/merchandising chain sold hamburgers at 1971 prices of \$1.25.

July

Carl Karcher celebrated 50 years with Carl's Jr. Karcher, together with his wife, Margaret, launched the now 585-unit fast-food chain with a hot dog cart that cost the couple \$326. Colleagues honored the veteran with a black-tie extravaganza that featured Bob Hope.

One of California's highest-grossing restaurants, the Nut Tree in Vacaville, celebrated 70 years.

September

TGI Friday's survived those terrible teen-age years to celebrate its 20th birthday. The 170-unit dinner-house chain marked the celebration with year-long promotions and a new light menu that was introduced systemwide in October.

October

Hardee's grew up and turned 30. The company celebrated with a grand reopening of its first franchised unit in Spartanburg, S.C. The restaurant was refurbished with 1960s-style decor, a jukebox containing hits from that era and tray liners blaring then-current events.

Lee's Famous Recipe Country Chicken marked 25 years in the business. Originally called Harold's Take Home — Home of Famous Recipe, the chain was started by

Lee Cummings, a nephew of Colonel Sanders. In 1981, Shoney's Inc. bought the concept and today continues to operate the 270-unit chain.

TCBY celebrated its 10-year anniversary with an in-store sweepstakes promotion. The frozen-yogurt chain gave customers a chance to win \$10,000 in cash, a Geo convertible or an all-expenses-paid cruise. Entries are slated to be chosen in January.

Top IPO's of 1991

Company	Issue Price	Number Shares Offered (in millions)	Date
Sonic Corp.	\$12.50	3.700	2/28/91
Au Bon Pain	9	2.300	6/7/91
Outback Steakhouse	15	1.805	6/18/91
Bertucci's Brick Oven Pizza	13	1.870	6/28/91
IHOP Corp.	10	6.250	7/12/91
Koo Koo Roo	5.50	1.437	8/28/91
Apple South	12.50	1.300	11/14/91
Checkers	16	2.414	11/15/91
*Foodmaker	22	10.300	Pending

*Company filed registration statement Nov. 11.

Source: NRN research

Top foodservice initial public offerings: Buoyed by Wall Street's bullish appetite for foodservice issues as a hedge against faltering blue chips, the restaurant industry witnessed one of its most prolific periods for initial public offerings in 1991 as eight foodservice companies tapped the equity markets to expand their chains or extinguish debts.

IN MEMORY OF . . .

Although the year was filled with many high points, 1991 also marked the unfortunate passing of many of our foodservice colleagues. All made their mark in this diversified industry, and they will be sorely missed.

Howard S. Baumgardner, designer of the first electrically heated aircraft buffet, died at the age of 84. His innovation was key in the development of in-flight foodservice, a segment he had served for 42 years.

Dominic Bellissimo, the founding father of Buffalo-style chicken wings, died this year at the age of 68. Bellissimo had started serving the now-popular chicken wings at his family-owned Anchor Bar in Buffalo, N.Y., 26 years ago.

Vincent J. Cunnetto Sr., owner of the popular St. Louis Cunetto House of Pasta, died in July. Cunnetto was 69. Cunetto, along with his late brother, Joseph, founded the restaurant in 1974.

Don Dianda, owner of Doro's in San Francisco, died at 71 of a heart attack. Dianda, who was known by all to be a "gracious gentleman," opened the elegant and formal Doro's in 1952. He sold the operation in 1989.

William S. Fishman, co-founder and former chief executive of the giant contract foodservice company, ARA Services, died at the age of 75. Fishman was responsible for ARA growth as an international services management company.

Calvin L. Holt, founder and owner of the famed New York restaurant-boutique Serendipity 3, died in June. He was 66. Holt and his partner, Stephen Bruce, had operated the east-side establishment since its opening in 1954.

Dick Jackson, a 20-year foodservice veteran, died in January at the age of 65. Jackson first started working in the industry when he joined distributor Great Lakes Terminal & Transport Corp., moving to the operator side in 1980 when he became president of Mr. Steak. He rejoined GLT & T in 1985 as the company's senior vice president.

Alan Lewis, a longtime New York restaurant industry veteran and most recently the managing director of New York's famed Rainbow Room, died in October of heart disease. Lewis was 71. During his career he had helped Restaurant Associates open such landmark establishments as The Four Seasons and Forum of the Twelve Caesars.

Felipe Rojas-Lombardi, the talented New York chef and restaurateur noted for having introduced many diners to Spanish and Caribbean cooking, died earlier this year. Lombardi, who was 46, had at one time worked with James Beard.

Richard A. McGeogh, a retired executive with the foodservice conglomerate Morrison Inc., died in June of cancer. McGeogh, who was 67, had founded the marketing and advertising division of the group that includes custom management accounts and the 169-unit Morrison's Cafeteria chain.

Ray Moline, a founder of The Moline Company, died in July. Moline, who was 72, was a 40 year-year veteran of the family-owned bakery equipment supply company he started in 1945. The company was bought by Pillsbury in 1972.

Sherwood (Sherb) Noble, the first Dairy Queen franchisee, died at the age of 82. Noble licensed the first Dairy Queen in the 1940s. The success of that unit helped convinced Dairy Queen that ice cream was not a passing trend.

Matthew Perkins, co-founder of what is today the 400-unit Perkins Family Restaurant chain, died of heart disease. With his brother, Ivan, he had helped found what began as a pancake restaurant chain in 1958. He was 79.

Robert Harbison Power, chairman of the Nut Tree restaurant in Vacaville, Calif., died of cancer. Powers, who was 65, became a general partner in Nut Tree Associates in 1948 and later became chairman of that company. Nut Tree had been founded by his parents in 1921.

Irving Riese, 71, died in January of a heart attack. Riese, together with his brother, Murray, built the Riese Bros. organization, a New York City-based franchise company. The company grossed approximately \$300 million a year at its peak.

Gene Stone, 54, died of a heart attack in September. President of Shakey's Inc. at the time of his death, Stone had started with the regional chain as an hourly employee. Within nine years he had risen to vice president of operations and franchising. Stone rejoined the 200-unit chain as president in 1989. He had spent the 17 year interim at Seattle-based Skipper's Inc., a concept that grew from 12 to 200 units under his guidance.

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NRN Photo

Jimmy Schmidt, co-owner of the new Cocina del Sol in Southfield, Mich. The Southwest-themed restaurant is the second collaboration between Schmidt and Michael Ilitch, chairman of Little Caesar Enterprises.

Schmidt, Ilitch warm up with Cocina del Sol

by Carolyn Walkup

SOUTHFIELD, Mich. — Cocina del Sol, the latest collaboration of American chef Jimmy Schmidt and pizza mogul Michael Ilitch, is beating the winter doldrums with the tastes and moods of the sunny Southwest.

Opening with much fanfare in this suburb northwest of Detroit, Cocina del Sol is a moderately priced rendition of such Southwestern stalwarts as

Mark Miller's Coyote Cafe in Santa Fe and Stephan Pyles' Baby Routh in Dallas. Schmidt, best-known for his downtown Rattlesnake Club, is confident that trendy Southwest cuisine is not a passing fad.

"We use butter in only two dishes and no traditional lard. It's clean flavors and matches today's lighter food trends," Schmidt remarked.

(See COCINA, page 76)

C-stores intensify foodservice buildup

Battered chains are fighting back with branded products, freshly made salads and updated equipment

by Theresa Howard

NEW YORK — While yet another segment leader regroups under bankruptcy protection, beleaguered convenience-store giants are firing their foodservice engines.

Stop N Go parent National Convenience Stores is the last of the nation's three largest c-store operators to file for Chapter 11 over the past 14 months. No. 3 NCR follows in the footsteps of 7-Eleven operator Southland Corp., which emerged from Chapter 11 in March, and No. 2 Circle K

Corp., which is awaiting Federal Bankruptcy Court approval on a reorganization plan that was approved by the Circle K board in November.

In their fight for survival, all three of the c-store chains are banking heavily on foodservice beyond weenies and microwavable Mexican munchies.

Part of mammoth Southland's strategy includes commissaries that are able to provide fresh-made sandwiches and salads to 7-Eleven stores.

Phoenix-based Circle K is planning to invest part of a proposed \$300 million in overall capital improvements on new foodservice equipment throughout the company's stores.

And despite operating under bankruptcy protection, NCS is pushing ahead with plans to add branded restaurant names alongside its own line of foodservice offerings. The chain currently licenses Pizza Huts and Taco Bells in about 35 stores throughout Texas as the

(See C-STORES, page 77)



Rick Van Warner

Van Warner is named NRN editor

by James C. Doherty

NEW YORK — Rick Van Warner, a five-and-one-half-year veteran of Nation's Restaurant News, has been named chief editor of the national newsweekly.

Van Warner, previously managing editor, takes on responsibilities for editorial policy and planning in addition to quarterbacking NRN's New York staff and its news bureaus in Atlanta, Chicago, Los Angeles and Northern California.

For the past three years, Van Warner has directed

(See VAN WARNER, page 4)

Former Rax prexy to pay \$400K

Hermann agrees to settlement over alleged 'improprieties'

by Carolyn Walkup

COLUMBUS, Ohio — Ira Hermann, the former president of Rax Restaurants, has agreed to pay the fast-food operator \$400,000 in cash, stock and notes after being investigated for "improprieties in supplier relations" during his tenure.

James Bingham, Rax's vice president of construction during Hermann's term, agreed to pay \$50,000 under a separate settlement with the company.

Hermann and Bingham, both of whom resigned abruptly last September, have denied that they took kickbacks, as was suggested in a report drafted for Rax by an outside investigator.

"It's not true," observed Hermann, adding that he did nothing more than aggressively pursue the best deal for Rax. "I did what I needed to do to run the business."

Bingham could not be reached for comment.

Neither Donald Karas, Rax chairman, nor William Underhill, who replaced Hermann as president, would discuss the investigation or the settlements



Ira Hermann

with Hermann and Bingham.

However, an outside spokesman confirmed that settlements had been reached with Hermann and Bingham after an investigation was conducted.

A copy of the 20-page investigation report was obtained by a reporter for the Columbus Dispatch, which based a news story on the findings.

(See HERMANN, page 77)

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January 6, 1992

NEWS BRIEFS

California restricts '92 workers comp rate hike to 1%

SACRAMENTO, Calif. — Restaurant and hotel operators in California will pay 1 percent more for workers compensation insurance in 1992, following the state insurance commissioner's rejection of a proposed 12.4-percent increase for the average policy.

Commissioner John Garamendi restricted the average rate hike for all industries to 1.2 percent, effective Jan. 1 for new coverage or on the anniversary date of renewing policies. His decision came after the California Restaurant Association rallied hospitality employers to protest the increase sought by the insurance industry.

Restaurants will pay a new rate of \$7.83 per \$100 of payroll, up from \$7.75 last year, while hotels will pay \$13.10, up from \$12.97.

Outback merges with South Florida joint partner

TAMPA, Fla. — Outback Steakhouse Inc., a 49-unit casual steak-house chain based here, has inked an agreement to merge with its seven-unit joint venture partner, American Restaurants of South Florida Inc.

The deal calls for American Restaurants to be merged into the company, while Outback issues 510,000 shares of its common stock in exchange for all of the outstanding shares of American Restaurants.

Outback has also filed a public offering with the Securities and Exchange Commission for 1,950,000 shares of common stock, which has yet to be approved.

Pizza Hut launches new ad campaign

NEW YORK — Abandoning a controversial Domino's-bashing approach and 4-year-old "Making it great" tag line, Pizza Hut has rolled out its new national advertising campaign, featuring "Queen of Soul" Aretha Franklin.

Although the new campaign focuses on Pizza Hut's delivery services, the Wichita, Kan.-based company has dropped its blatant attack on Domino's. Over the past year the PepsiCo-owned pizza chain aired commercials that featured actors portraying Domino's employees eating Pizza Hut pizza.

Franklin supports Pizza Hut's delivery push in 60-, 30- and 15-second spots by singing "Deliver Me" to the tune of the hit song "Rescue Me."

To support its dine-in and carry-out services, Pizza Hut is also airing two separate 30 second segments without Franklin. "Bad Dinner" and "Boring Party" launch the company's new "Hit the Hut" theme line, which replaces the longstanding "Making it great."

The spots were created by BBDO here.

Calif. Court ruling adds to state's financial turmoil

SAN FRANCISCO — A California Supreme Court ruling that certain tax-raising ballot measures must win by a two-thirds vote could worsen the already weakened financial condition of state and local governments and have a negative impact on the hospitality industry.

Last year California lawmakers considered but discarded several new taxes or special fees aimed at the hospitality industry while eliminating a \$14 billion budget shortfall.

Analysts are predicting another shortfall of several billion dollars if the recession does not end in the first half of the year, and the Supreme Court ruling, which has the potential of denying billions of dollars in tax revenues to indebted public agencies, is likely to lead to new calls for new business-related taxes and fees.

In a 5-2 decision, the court ruled that a half-cent sales tax increase in San Diego County in 1988, which was devised to raise money for jail construction, was illegal because it was approved by a simple majority of voters.

Mich. Legislature approves 1% tax on prepared meals

LANSING, Mich. — The Michigan House and Senate has passed a bill that will allow six state counties to impose a 1-percent tax on prepared meals in order to fund special projects.

The bill, HB 5300, gives Muskegon, Kent, Ingham, Washtenaw, Oakland and Wayne counties the right to ask voters to approve financing for sports arenas or convention centers. The issue will be placed on Michigan's March 17 presidential primary ballot.

In addition to the meal tax, HB 5300 includes a 1-percent tax on hotels rooms and a levy of 2 percent on rental cars.

Koo Koo Roo inks Southeast deal with Sector

ISELIN, N.J. — Koo Koo Roo Inc., the 14-unit fast-food chain that features flame-broiled skinless chicken, has inked an agreement with Sector Associates Ltd. for opening Koo Koo Roo units in Georgia and Florida.

The deal calls for Coral Gables, Fla.-based Sector to build and operate 33 Koo Koo Roo restaurants over a three-to-five-year period in the Atlanta, Orlando and Tampa/St. Petersburg markets. Koo Koo Roo — which went public four months ago — owns and operates nine restaurants in California and New York and franchises five other units in Florida, California and Nevada.

Koo Koo Roo's latest company restaurant is about to open in the Taj Mahal Hotel and Casino in Atlantic City, N.J.

Long Island town battles McD Unit

SOUTHOLD, N.Y. — McDonald's plan to build a restaurant in this rural Long Island farming community has touched off a bitter dispute among residents.

Tempers flared during three hearings that resulted in the zoning board of appeals giving McDonald's approval to build a restaurant but denying its request for a special permit for a drive-thru window. Since the window generates a high percentage of a typical unit's profits, opponents were hoping that the restriction would force the hamburger giant to scuttle the plan altogether.

Supporters argued that McDonald's would generate new jobs and serve as a source of new taxes.

McDonald's presented plans to build a Cape Cod-style restaurant to harmonize with the dominant architecture of the town and said it would arrange to cart its own trash.

Survey predicts travel spending rebound in 1992

NEW YORK — Vacationing Americans will take about as many leisure trips in 1992 as in 1990, according to a nationwide poll, which predicts an easing of last year's concerns about war and the onset of a recession.

Eighty-one percent of 750 randomly chosen respondents to the November telephone survey said they plan to take an average of 1.7 vacation trips by air or cruise ship this year, a level approaching travelers' 86-percent response in 1990 and a rebound from sharp declines in 1991.

"That's a hopeful sign for the industry and a shot in the arm for the sluggish U.S. economy," said Bill Colon, a senior vice president for Fleishman-Hillard Inc., a public-relations and travel marketing firm. The company's poll also found that 30 percent of vacationers plan to travel abroad this year, compared with 32 percent in 1990.

Pleasure travel planned by those polled declined 13 percent last year, with foreign travel off 25 percent from 1990 levels.

Judge approves Days Inns sale

NEW YORK — A judge overseeing the operations of Days Inns has approved the bankrupt lodging chain's sale to Hospitality Franchise Systems, a holding of the Blackstone investment group.

The decision by bankruptcy court judge Helen Balick clears the way for Days to become a sister chain of Ramada Inns. Hospitality Franchise Systems acquired the franchise rights to Ramada several years ago.

Hospitality Franchise Systems, which is headed by former Arby's president Frank Belatti, had originally bid \$250 million for Days, one of the nation's larger moderate-price lodging chains. It recently sweetened the offer by \$50 million.

FINANCIAL NEWS

Hamburger Hamlet turns to IPO to wipe out debt

by Robin Lee Allen

SHERMAN OAKS, Calif. — Hamburger Hamlet Restaurants Inc. is selling itself to the public in an effort to eradicate debt and fuel future growth.

The 26-unit casual hamburger chain recently issued 2.5 million in common shares priced at \$11.50, or \$50 million in the aggregate, reversing a 1988 management-led leveraged buyout. First Boston Corp. and Dean Witter Reynolds underwrote the initial public offering.

Proceeds from the offering will be applied to the debilitating \$27.9 million debt left over from the LBO.

Hamburger Hamlet was compelled to make the offering after its primary lender withdrew financial support and the tight credit market made new support difficult to garner, explained Tom McFall, the company's chairman and chief executive.

"The public market just made more sense," McFall said. "We were public once, and we have the growth lined up very specifically for the next two years. It was time to get going." Company directors and officers purchased 23 percent of the outstanding common stock, giving them a significant impact on the company's future direction, according to a prospectus filed with the Securities and Exchange Commission.

Hamburger Hamlet's IPO is one of many restaurant offerings that have flooded Wall Street in 1991. Scarce bank financing and the desire to retire debts and grow have enticed such companies as Au Bon Pain Co. Inc., Bertucci's Brick Oven Pizzeria and Outback Steakhouse Corp. to go public in the search for cash.

These stocks have generally done well in the year's predominantly bullish stock mar-

Hamburger Hamlet. Bar-Grille

ket. Many restaurant companies are still posting earnings despite the recession, and investors are increasingly drawn to small capitalization stocks, analysts said.

Hamburger Hamlet, however, fell victim to the market's unpredictability. Because of its recent lethargy, the stock began trading at \$11.50, the lower end of its \$11-to-\$13 range.

Founded in 1950, Hamburger Hamlet is a full-service lunch and dinner concept featuring gourmet hamburgers, rotisserie and grilled chicken, assorted sandwiches, salads, soups and chili. Alcohol is also available. The average customer ticket is \$9.25, McFall said. Average store revenues in 1990 were about \$2.2 million.

Stores are concentrated in three core markets: Los Angeles; Chicago; and Washington, D.C. The majority of stores, 17, are situated around Los Angeles. There are five around Washington, D.C., and two around Chicago.

The company also has two upscale concepts: Portner's in Washington, D.C., and Hamlet Gardens in Los Angeles. All stores are company-owned.

The original company, Hamburger Hamlet Inc., went public in 1969 and had grown to 20 restaurants by 1982. That growth was stalled from 1982 until 1988 when the company founders, who controlled more than 70 percent of the stock, decided to diversify into different concepts. In 1988 an investor group, including some manage-

ment members, decided to acquire the company and take it back to basics.

"We took the first 18 months of the buyout period to go back and renovate stores," McFall said. The new owners also opened 10 Hamburger Hamlets.

Despite annual revenue growth, interest and other debt-related expenses have kept the company reporting net losses since the LBO in 1988. However, Hamburger Hamlet narrowed its net loss to an unaudited \$233,000 for the 39 weeks ended Sept. 29, from \$427,000 for the same period of last year. The company's accumulated deficit as of Sept. 29 was \$3.3 million. Revenues for 1990, the last full fiscal year, were \$48.4 million.

In the 39 weeks ended Sept. 29, Hamburger Hamlet reported unaudited revenues of \$39.5 million, up 9 percent from the figure for the same year-earlier period. Two restaurants opened during the same time frame contributed greatly to the increase. Same-store sales were stagnated by the Persian Gulf war but rose slightly in later months, McFall said.

Once the company's debt is eliminated, officials will concentrate on expanding the Hamburger Hamlet chain within its core markets, McFall said. The company anticipates opening five new restaurants during the next year and at least four per year thereafter, according to the SEC prospectus. No plans have been made to franchise.

FACT FILE

Keep on feedin'!

(No. of customers per day at a single unit of these selected chains)

Cracker Barrel	1696
Ryan's	1292
Shoney's	1168
Buffets	1005
Spaghetti Warehouse	989
Regas Grill (Brinker)	959
Quincy's (TW)	950
Bakers Square (VICORP)	923
Village Inn (VICORP)	869
Denny's (TW)	823
Chili's (Brinker)	753
Macaroni Grill (Brinker)	738
Sizzler	734
Pizzeria Uno	698
IHOP	660
Bertucci's	623
Applebee's	621
Outback Steakhouse	442
Chart House	233

Source: Montgomery Securities

FINANCIAL DIGEST

General Mills restaurants' profits rise 2%

MINNEAPOLIS — General Mills said its Red Lobster and Olive Garden chains reported a combined 2-percent rise in operating profit, to \$27 million, on a 16-percent rise in sales, to \$580 million, for the second quarter ended Nov. 24.

While the conglomerate does not break out its chains' individual performances, GM said Olive Garden's profits surpassed last year's, while Red Lobster's check average rose and margins improved. Both Olive Garden and Red Lobster reported small gains in average unit sales for the quarter.

At the half-year mark, GM said the restaurant division's year-to-date sales had increased 15 percent, to \$1.2 billion, but that operating profit had dropped 7 percent, to \$74.4 million.

Outback's profits, sales soar

TAMPA, Fla. — Lower food costs and new restaurants led to a 134-percent rise in Outback Steakhouses' net income, to \$1.2 million, on a 78-percent rise in revenues, to \$10 million, for the third quarter ended Sept. 30.

As a result of the company's strength, Outback's board of directors declared a 3-for-2 stock split, to be effected as a stock dividend.

The company said same-store sales exceeded expectations, rising 6 percent at a time when commodity prices fell, boosting margins.

For the nine-month period, Outback's revenues rose 73 percent, to 27.9 million. Earnings were \$3 million, vs. \$1.7 million in the year-ago period.

Year-to-date systemwide sales skyrocketed to \$62 million on a base of 38 restaurants. In the comparable period of a year ago, systemwide sales were \$22.6 million.

Ark's F '91 net jumps 50%

NEW YORK — Ark Restaurants said net income had jumped 50 percent for the year ended Sept. 28, to \$1.1 million, on a 6-percent rise in revenues, to \$51 million.

Despite posting gains in a down market, Ark warned that the recession in the Northeast is bound to impact sales adversely during the first and second quarters of 1992. In addition, the company is projecting operating losses stemming from its newest restaurant, Sequoia, in New York.

For the fourth quarter, Ark said it overcame a year-ago loss of \$83,000 to post net income of \$132,000 on a 3-percent rise in revenues, to \$13.1 million.

"This is a good result in a very harsh economic environment," said Michael Weinstein, president, in a statement. "However, we have not yet seen signs of relief from the recession. We therefore anticipate continued unsatisfactory sales in our fiscal first and second quarters."

Ark owns and operates 25 restaurants and bars in New York, Boston, and Washington.

Lower costs buoy GB's 3rd-Q profits

ANAHEIM, Calif. — GB Foods said lower labor costs and other efficiencies led to a 90-percent gain in net income, to \$24,961, on an 82-percent gain in revenues, to \$2.7 million, for the third quarter ended Sept. 30.

Contributing to the lowered expenses were reduced food costs resulting from the chain's new commissary. GB Foods said it also realized savings from a more effective labor management.

For the nine months year-to-date, GB Foods reported \$269,078 in net income on revenues of \$7 million. A year ago the company reported a profit of \$120,666 on revenues of \$2.8 million.

GB Foods owns and operates nine of the 43 units in the Green Burrito restaurant chain, a limited-service operation in the Tex-Mex segment.

FOOD PRICE OUTLOOK

World green coffee prices fall

by Patt Patterson

World coffee prices have fallen to lows not seen for many years. A combination of good harvests and the failure of the International Coffee Organization to impose a quota system on producing countries has brought prices down. Lower prices will not immediately hit operators, because most roasters bought in their winter and spring supplies some months ago, before the current slide in prices.

Cocoa prices, on the other hand, have moved well above last year's depressed pricing. That affects not only the costs of cocoa beverages but all chocolate products. A major factor in the rise is said to be the aging of the

world's cacao groves. Production tapers off after cacao trees, which produce the seeds used in making cocoa and chocolate, reach a certain age. Political uncertainty and warfare in many cocoa-growing regions has prevented the normal tree replacement.

Frozen orange juice concentrate prices are about 10 percent to 12 percent above last year's at this time, but it doesn't look as if there will be any further increases. Florida has been freeze-free, and Brazilian sources are said to be planning to hold current price levels. The use of chilled juice is steadily increasing, both in foodservice operations and in the home. Each

year, for the past five, the amount of chilled juice has increased, and the amount of frozen concentrate has dropped.

Look for tight apple juice supplies. Demand for bottled and canned juice and frozen concentrate has increased. A large amount of this year's apple production went to the fresh market, less to juicers. Imported concentrate shipments were also down. Prices are expected to rise.

Pineapple juice prices are lower because of promotional discounts offered distributors and direct buyers through the end of this month. Supplies this year seem to be better than for several previous seasons.

1992 FORECAST & TRENDS

OUTLOOK FOR 1992

Sales outlook darkens as economy slips, recovery hits wall

by Peter Romeo

WASHINGTON — Hopes for a modest upturn in foodservice sales this year have been dimmed by reports that the economy has lapsed back into a recession.

A number of forecasters and business leaders are now warning that general economic conditions could worsen before a recovery resumes, darkening an already gray outlook for restaurants.

"For most operators, getting through the first quarter is going to be a real challenge," says Ron Paul, president of Technomic Inc., a leading foodservice research concern. "On the part of the individual operator out there, there's a real concern, a fear bordering on panic. It's going to be a tough, tough, tough quarter."

Counterbalancing those worries are indications that President Bush and Congress may take bold steps to snap the economy out of its lethargy. Among the

A number of forecasters and business leaders are now warning that general economic conditions could worsen before a recovery resumes.

measures being eyed in Washington are tax cuts that would immediately put more dollars in consumers' hands.

"We're going to see a lot of things done by Dr. Bush to improve the economy's health, and that could help foodservice," Paul explains. "It's certainly not going to hurt."

Other observers, including the National Restaurant Association, have asserted that there is no need to dampen expectations for the coming year. They have stuck with their predictions that 1992 will be a year of modest yet appreciable improvement in the economy as a whole and the foodservice industry in particular.

Nevertheless, mounting evidence of a setback in the nation's economic recovery has prompted Technomic to reconsider its already guarded outlook for foodservice this year. "We're going to be taking our sales numbers down," said Paul.

Last September, in a report drafted for the International Association of Foodservice Manufacturers, Technomic

forecast that industry sales would grow by 1.5 percent in deflated or "real" terms, to \$275.54 billion. That growth, though modest, would have been a marked improvement from the 0.9-percent real gain that the industry squeezed out of 1991, Technomic noted.

However, the concern's predictions for 1992 were predicated on a gradual but continuing recovery of the economy — an assumption that has been called into question by a spate of reports in recent weeks.

For instance, a group of economists recently warned that the gross national product would shrink by 1 percent during the first quarter of 1992 after slipping 0.2 percent during the September-through-December period of last year. According to the weeks-old report from the University of California at Los Angeles' Business Forecasting Project, the setback could be far more severe for the West Coast.

"The upturn in business activity that began earlier this year has clearly faltered," Alan Greenspan, chairman of the Federal Reserve Board, told a congressional committee that convened hearings in mid-December to evaluate the economy's status. "It is apparent that the economy is struggling and that there have been some strong forces working against moderate cyclical revival."

Even the White House has added its voice to the chorus of dire economic reassessments. After months of insisting that the economy was in a slow but steady recovery, the Bush administration recently acknowledged that "for all practical purposes, the recession continues."

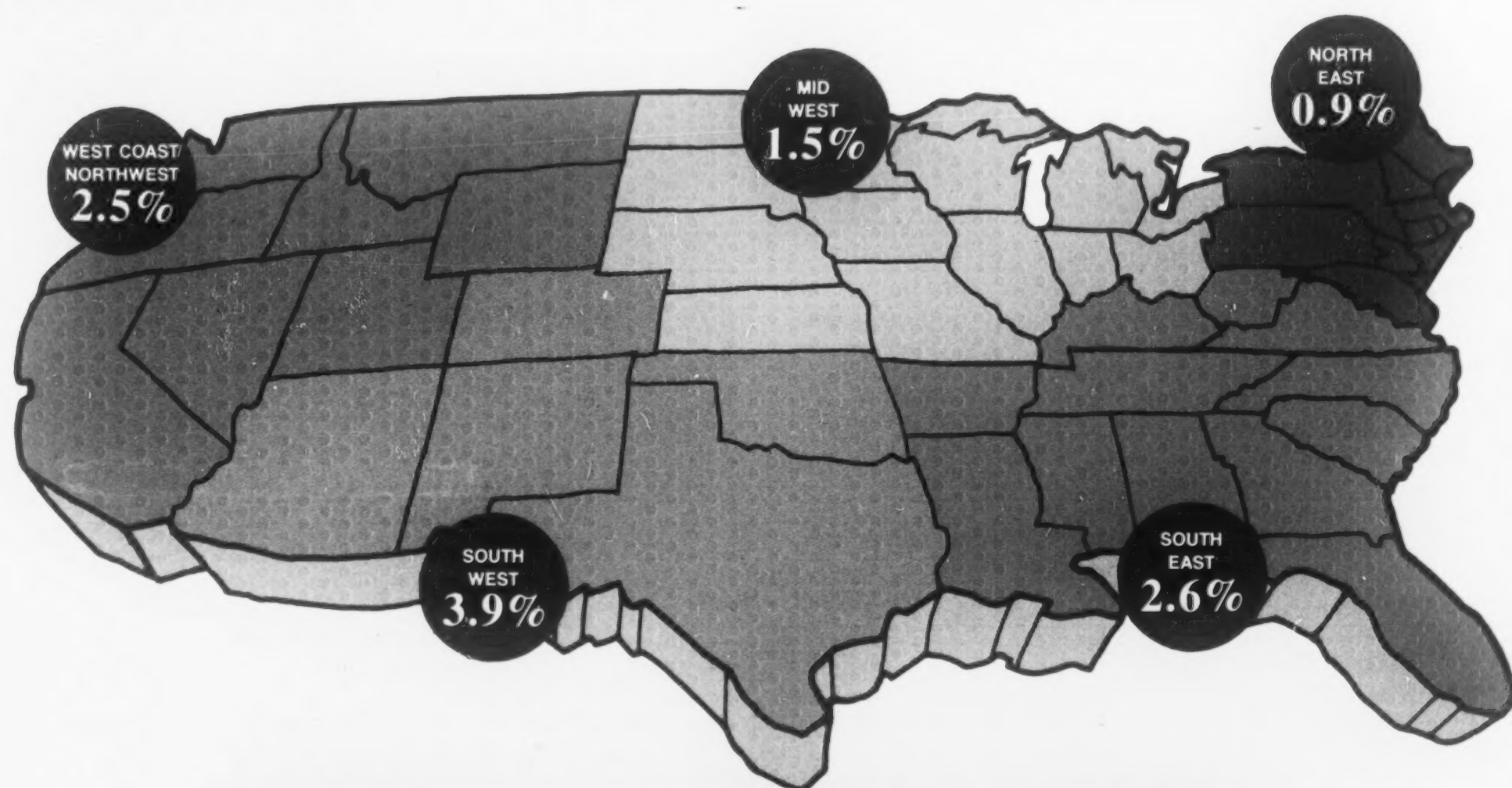
Samuel Skinner, the president's new chief of staff, has described the national economic picture as "staggering."

In light of those downbeat revisions, Technomic could shave the projections of its '92 Forecast & Outlook "by a few tenths of a point," Paul explains. "We were just seeing so many bad numbers coming out."

NRA is more optimistic

Authors of the industry's other major sales prognostication, the NRA's Forecast '92, say they do not plan to revise their numbers. Issued in December, their report is slightly more optimistic than Technomic's study, with total sales predicted to grow in real terms by a modest 1.8 percent, to \$262 billion, after inching upward just 0.5 percent in '91.

The NRA projected even larger 1992 real-sales gains for fast-food places (2.6 percent), contract feeders (3.6 percent) and in-store restaurants (3.7 percent) (See *OUTLOOK*, page 26)



REGIONAL OUTLOOK

(Projected real sales growth)

Source: National Restaurant Association, Regional Economic Projections Series

The foodservice industry's financial performance will vary widely from area to area in 1992, as it did last year. Following is a region-by-region look at operators and forecasters' expectations for the year ahead.

The foodservice industry's financial performance will vary widely from area to area in 1992, as it did last year. Following is a region-by-region look at operators and forecasters' expectations for the year ahead.

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1992 FORECAST & TRENDS

Outlook for 1992

(Continued from page 25)

cent). And the association's researchers see nothing within the recent round of economic reassessments to warrant a change in those figures, either.

"What we're seeing is a lot of volatility in consumers' perception of what's going on in the economy," says Susan Mills, the NRA's research director and an author of Forecast '92. "But the economic numbers themselves don't look that bad."

For instance, Blue Chip Economic Indicators, a forecast based on input from more than 50 economists, is still calling for a 2.7-percent real growth in the gross national product during 1992. The GNP declined by 0.3 percent last year.

In addition, the NRA expects recent subtle economic changes to have a disproportionately favorable impact on foodservice this year.

For instance, many homeowners refinanced their mortgages during 1991 to secure lower interest rates. As a result, monthly housing payments will be smaller this year for thousands of Americans.

"Because of all the refinancing, we could see as much as \$50 billion freed up for spending," explains Malcolm M. Knapp, president of Malcolm M. Knapp Inc., the New York research company that worked with the NRA to develop its forecast. "The changes aren't going to be big enough to pay for big-ticket items, but they will free up a few more dollars for foodservice."

Similarly, "if there are any tax cuts next year, they may amount to nothing more than consumers' having an extra buck a day," Knapp says. "So they're not going to run out and buy some capital goods. The money's going to disappear into their regular spending patterns, which include dining out or getting take-out."

Nevertheless, the NRA cautions in its forecast that "a weaker recovery, or even a temporary return to recession, could occur if consumers' anxieties grow about their employment situation, income or debt loads." Gloomy economic reports could trigger those fears.

Pent-up demand

The NRA's guarded hopes for 1992 stem in part from statistical evidence that Americans are yearning to dine out more frequently. In a survey conducted

FOODSERVICE SALES FORECAST FOR 1992

	Sales (in billions)		Real growth	
	1992	1991	'92 vs. '91	'91 vs. '90
Eating places				
Restaurants	\$ 83.23	\$ 79.19	1.3%	0.9%
Fast-food places	78.28	73.57	2.6	2.0
Commercial cafeterias	4.81	4.57	1.6	1.0
Social caterers	2.55	2.38	3.5	2.8
Ice-cream, frozen-treat places	2.14	2.06	0.0	(0.4)
Total:	171.02	161.77	1.9	1.4
Bars, taverns	8.73	8.55	(2.7)	(7.6)
Food contractors				
Industrial sites	4.13	3.85	3.7	NA
Office buildings	1.40	1.31	3.0	NA
Health-care sites	1.96	1.82	4.0	NA
Colleges, universities	3.42	3.17	3.4	NA
Schools	1.37	1.29	2.6	NA
Airlines	1.79	1.60	5.8	NA
Recreational sites	2.07	1.95	2.6	NA
Total:	16.15	14.99	3.6	NA
Lodging places	15.04	14.29	1.5	NA
In-store restaurants	11.44	10.64	3.7	NA
Recreation, sports sites	3.13	2.97	1.7	NA
Others	6.64	6.26	2.6	NA
TOTAL COMMERCIAL	232.15	219.47	1.9	0.5
Institutional market				
Employee feeding	1.92	1.87	(1.2)	NA
Schools	3.90	3.75	0.2	NA
Colleges, universities	4.37	4.21	(0.5)	NA
Transportation sites	1.43	1.28	7.2	NA
Hospitals	9.96	9.43	1.8	NA
Nursing homes	4.09	3.97	2.0	NA
Clubs, sports camps	2.36	2.25	1.5	NA
Community centers	0.78	0.72	7.0	NA
TOTAL NON-COMMERCIAL	28.80	27.48	1.4	NA
Military	1.04	1.05	(4.2)	(5.3)
GRAND TOTAL	262.00	248.00	1.8	0.5

Source: National Restaurant Association

NA = Not available

“What we're seeing is a lot of volatility in consumers' perception of what's going on in the economy. But the economic numbers themselves don't look that bad.”

last year for the association by the Gallup Organization, consumers were asked if they would like to buy more of their meals from restaurants. Twenty-seven percent of all respondents said yes.

"Consumers told us that they would eat out more often if they had the cash to do so," the NRA's Mills says. Even a slight economic recovery would allow more persons to indulge that "pent-up demand," she explains.

"We're a little more optimistic than we have been because we're looking for a real improvement in the economy," Mills remarks. "The big thing is that we're expecting some growth in real disposable income," the dollars that consumers set aside for discretionary spending.

The NRA expects real disposable personal income to rise by 2.4 percent, as predicted by Blue Chip Economic Indicators. In contrast, consumers' spending power declined by 0.3 percent in '91, according to Blue Chip.

Technomic's unadjusted forecast hinges on a 2.6-percent rise in real disposable income.

Expansion to moderate

In Forecast & Outlook, Technomic notes that the growth in foodservice sales this year probably would be outstripped by the increase in the number of units vying for the dining-out dollar.

"New stores are continuing to open," Dennis J. Lombardi, Technomic's executive vice president, said in revealing the concern's 1.5-percent growth forecast at an IFMA gathering in New York. "The impact [of that slight sales gain] on one existing store could be even worse."

Fortunately, according to Paul, the rate of unit expansion is at least abating.

"We'll see two or three [percentage] points of growth, not the four or five points that we saw in past years," he said. "Financing just isn't there for restaurants any more."

"The entrepreneurial guy with two or three units may have to postpone opening that third or fourth unit," Knapp observes. "Banks aren't lending the money any more."

In addition, the NRA notes in Forecast '92 that many restaurant chains want to open the bulk of their new stores overseas, where competition is below that in the United States.

Outlook good for food prices in 1992

by Patt Patterson

Foodservice operators should see price increases overall for the foods they use remain about even or slightly lower than the rate of inflation for this year.

Most agricultural economists agree: Food prices during the year are expected to grow at a rate of about only 3 percent, similar to the past year, and well below the 5.8-percent posted in both 1989 and 1990. However, participants in this year's annual agricultural outlook conference of the U.S. Department of Agriculture emphasized that's an average, and prices of individual foods may range far wider than the average.

Beef prices are expected to average near or slightly below 1991 levels. Veal prices are expected to continue to climb. Look for 3-percent-to-6-percent increases.

Pork prices are expected to drop, as much as 12 percent below the prices averaged in 1991. Lamb prices are expected to range from near 1991 levels to slightly higher.

Poultry prices are expected to average somewhat lower than they did in

1991, although by the second quarter, turkey prices are expected to move up from their level during the last quarter of 1991. Expect overall price decreases of from 1 percent to 2 percent for broilers. Export demand may determine final pricing, particularly for broiler parts. Egg prices may decline slightly from 1991, but there will be seasonal variations caused by changes in both supply and demand.

Seafood prices are expected to remain at or near levels established in 1991. There is no evidence that cod, flounder, halibut and crab prices will decrease much if any from the high levels of the past few years.

Lower prices of domestic farmed catfish are expected to drop, at least temporarily. However, some analysts expect them to rise as the year gets under way.

Shrimp prices are expected to remain fairly stable during 1992.

Dairy products overall should increase a little. Milk is expected to stay

near the same price levels it reached in the fourth quarter of 1991. Expect overall increases of from 1 percent to 3 percent. Cheese prices, especially for specialty cheeses, may drop from 1991 fourth-quarter levels. Price volatility hasn't been ruled out, however, and cheese prices could swing up again.

Fresh vegetable prices are difficult to estimate, since there are so many factors that affect supply and demand. In general, expect desert-grown vegetable prices to have a great deal of fluctuation during the first quarter. That could mean both higher and lower prices than the seasonal averages. By the second quarter levels should return to a more normal range.

Fresh orange prices will likely remain high during 1992, tending to hold at last year's levels. Apricot prices are expected to rise although most other stone fruits should be at or below last year's levels.

(See COMMODITIES, page 46)

1992 FORECAST & TRENDS

NORTHEAST

by Paul Frumkin

While most regional foodservice executives agree that the long-anticipated economic recovery in the hard-hit Northeast is still many months away, several say that 1992 holds some promise for the stronger, well-capitalized operators.

Buoyed by a modest upturn in sales during the final quarter of last year, operators believe that the deep and stubborn recession that has been hammering away at the Northeast for the past few years has largely bottomed out and will remain flat throughout most of the year.

But while sales growth in 1992 is expected to be sluggish at best, several executives predict that the next 12 months will offer unparalleled expansion opportunities for those fiscally sound operators who choose to take advantage of them.

"The opportunities in 1992 will be exceptional for strong operators," says Edward Grace III, president of the East Providence, R.I.-based Phelps Grace Co. Inc.

Nevertheless, Grace adds, "for weak operators, they're going to be trying times."

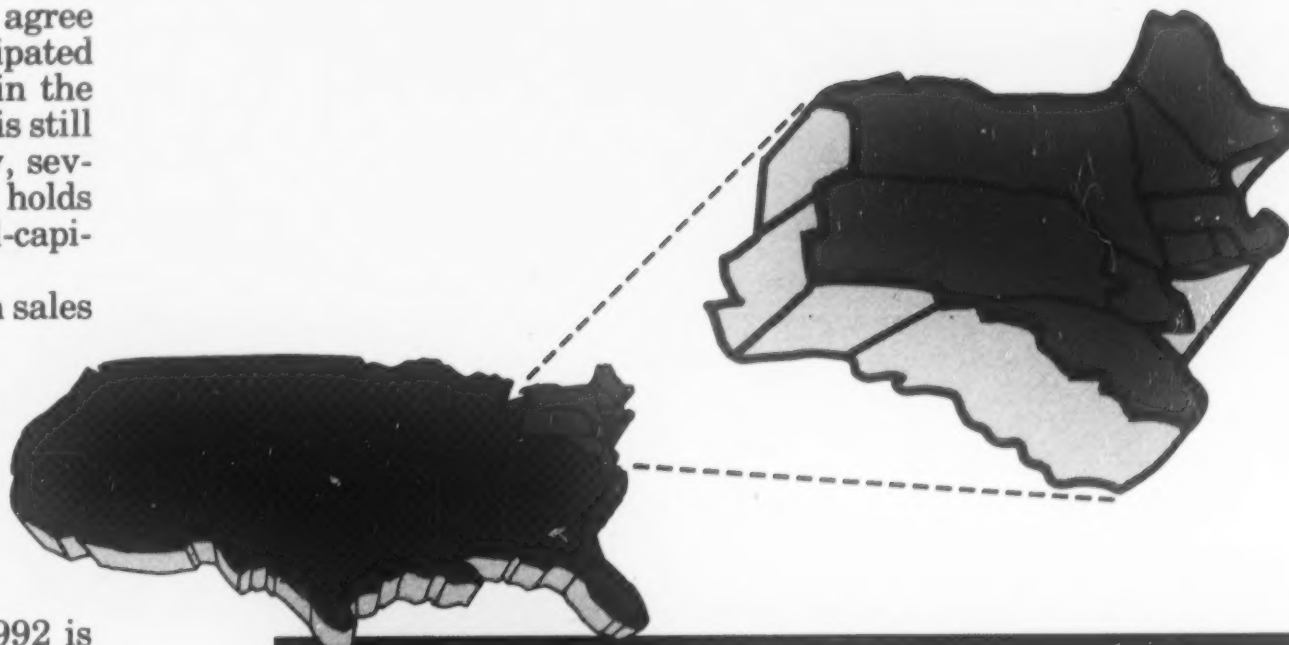
In fact, executives indicate that unless consumer confidence rebounds to a healthier level, the weeding-out process that began here in the late 1980s is bound to continue unabated throughout the year. "The weak will fail and fall away," declared Dennis Riese, president of the Riese Organization in New York City. "I think we'll see more of a shakeout."

Operators mostly concurred that the dominant trend of 1992 indeed would be "the strong get stronger and the weak get weaker." And the weak, in this case, are expected to come chiefly from the ranks of the beleaguered fine-dining segment. As an economically anxious American public continues to pursue its policy of restrained spending, a large number of high-ticket restaurants will be forced to either conform to a more price-sensitive marketplace or go under.

"It's difficult to say whether fine dining will ever fully recover from this recession," observes Ronald Gorodesky, president of Restaurant Advisory Services, a Wayne, Pa.-based restaurant consulting firm.

According to some sources, however, the upcoming year may eventually hold the seeds of recovery for elements of the foodservice industry in the Northeast. The National Restaurant Association's Foodservice Industry Forecast for 1992 projects that sales for eating places in the New England region will increase 5.3 percent — or 1.5 percent in "real" terms. Real growth for the Middle Atlantic states — which includes New York, New Jersey and Pennsylvania — sales are expected to grow by 0.6 percent, according to NRA figures. Real growth for Delaware's eating-places will take a 3.2 percent jump. The only real projected decrease will be a 1.8 percent dip for the District of Columbia — an area which, to date, has fared somewhat better than other areas of the region.

But while most operators and industry observers paint a marginally improved sales picture for 1992, individual reports vary from Maine to Washington, D.C.



NORTHEAST			
	Eating place sales 1991 (in millions)	Eating place sales(P) 1992 (in millions)	% Change* (real growth)
Connecticut	\$ 2,666.5	\$ 2,786.5	0.7%
Delaware	539.5	577.3	3.2
D.C.	910.0	928.2	-1.8
New Hampshire	1,079.1	1,164.4	4.1
Maine	970.0	1,035.0	2.9
Massachusetts	6,020.1	6,321.1	1.2
Maryland	3,507.1	3,685.9	1.3
New York	12,972.7	13,543.5	0.6
New Jersey	5,389.4	5,631.9	0.7
Pennsylvania	7,418.8	7,737.8	0.5
Rhode Island	828.6	863.4	0.4
Vermont	451.3	478.8	2.3
Totals	\$42,753.1	\$44,753.8	0.9

* "% Change" adjusted to discount projected menu price inflation and represent "real" growth in total Eating Place Sales in 1992.

Source: National Restaurant Association

“As long as you're well capitalized, you can grow in a dramatic fashion in this economy. We're able to do deals and acquire locations with construction allowances the likes of which we've never seen. Ultimately, we'll be well-situated as we come out of the recession.”

— Ronald Shaich, co-chairman and co-chief executive of Au Bon Pain French Bakery Cafe

Ronald Shaich, co-chairman and co-chief executive of 107-unit Au Bon Pain French Bakery Cafe concept based in Boston, is anticipating an "exceptional" year for the newly public company — despite New England's dismal economic climate.

"You can cut the pain of the recession with a knife as you walk down the street here," he comments. "And we're certainly feeling short-term pressures from the loss of jobs in New England. But the expansion opportunities are still phenomenal."

Au Bon Pain, which completed an initial public offering last June, expects to open 22 company-owned stores this year. "As long as you're well capitalized, you can grow in a dramatic fashion in this economy," Shaich continues. "We're able to do deals and acquire locations with construction allowances the likes of which we've never seen. Ultimately, we'll be well-situated as we come out of the recession."

Edward Grace — who operates such restaurants in Rhode Island as Hemengways, Capital Grille and the Old Grist Mill — is also quite bullish on expansion possibilities. "There are some terrific opportunities out there that we hope to take advantage of," he explains. "We're looking to expand in this environment."

Grace notes that in Rhode Island and the Boston area "there are plenty of sites available. Landlords have been humbled."

Phelps Grace, in fact, opened its second Capital Grille, an upscale steak house in Boston in October — a time when many other tablecloth restaurants were suffering. But, Grace explains, "it was a unique opportunity. The landlord had originally been asking \$3 million for the location. We got it for \$550,000. We were also able to negotiate a \$100,000 decrease in the rent."

Restaurant sales, on the other hand, confirm that the consumer remains wary. The 3-month-old Capital Grille is doing about 80 percent of projections. And while Grace notes that he has seen increases at his other restaurants over a year ago, sales vary from week to week. "And then again," he adds candidly, "I wasn't particularly proud of where I was a year ago."

Max Pine, president of Restaurant Associates, the New York-based multiunit operator of mid- and upscale restaurants, observes that he sees signs of improvement in his Northeast business. "We're showing double-digit sales increases in our New Jersey stores," Pine says. "We believe the economy there has stabilized."

Restaurant Associates — which operates 40 full-service restaurants in New Jersey — including Charlie Brown's and the Office — has been strengthening its "value marketing" during the past year, Pine explains. "We've introduced some new items, and improved recipes and presentations on older items. We've also tried some new marketing techniques."

New York City, he notes — where RA operates several upscale operations including Sea Grill, Tropica and Mamma Leone's — is "not as far ahead on a positive trend."

And while Pine says he is confident that business will improve this year, he emphasizes that even the strong operators must be careful. "You just can't raise menu prices," he says. "You have to pre-

(See NORTHEAST, page 44)

1992 FORECAST & TRENDS

SOUTHEAST

by Jack Hayes

Wielding longer menus, lower prices, louder ads and sharper service, operators across the Southeast are hastening their counterattack against an unpredictable recession, which most of them expect will run out of gas by the middle of 1992.

With few exceptions, restaurateurs in every corner of the region are emerging from a year of flattened sales and gutted profits. Yet even those who remained relatively healthy during the downturn have high hopes that the next 12 months will not be a repeat of 1991.

"We've been asking our people not to participate in this recession," says David Martin, founder and president of Huntsville, Ala.-based Steak-Out, a 33-unit home delivery chain that expects to open 25 new restaurants in 1992.

Martin and most other operators in the Eastern Sunbelt — a region that reaches from Miami to New Orleans on the south, and from Norfolk, Va., to Louisville, Ky., on the north — are gladdened by growing reports of a midyear economic turnaround.

But a key unanswered question is how quickly consumers are going to buy into the idea of recovery. Operators report that during the past six months the dining-out public has turned more value conscious and more selective.

"People are holding onto their money; make no mistake about it," says Jehan Wanigatunga, general manager at Pompano's, a tablecloth seafood concept housed in the Atlanta Marriott Marquis.

The problem at issue is that consumers are less optimistic than retailers about the timing and strength of the expected upswing, says Gregg Cudahy, consulting manager for DeLoitte & Touche, which just released the findings of its sixth annual Southeast Business Outlook Survey.

"The evidence is that we're looking at recovery by the middle of 1992, but how quickly the expectation trickles down is only a guess," observes Cudahy, who noted that 65 percent of DeLoitte & Touche's business respondents feel the turnaround is going to be slow.

Meanwhile, operators are leaving no stone unturned in their search for ways to tempt patrons back into their restaurants.

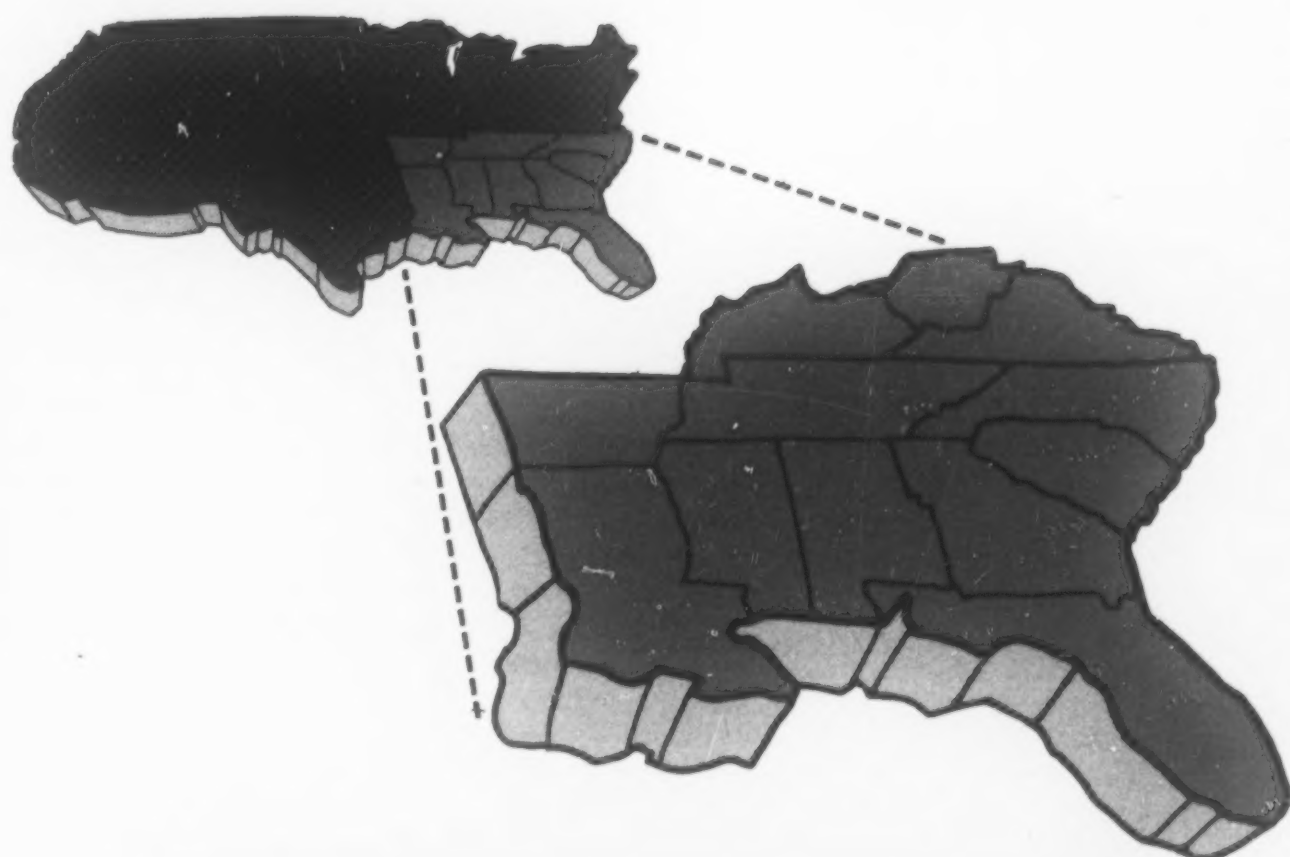
Pizza franchisee Thomas Guthrie, operator of a Primo's unit in Atlanta's north suburbs, expanded to chicken wings and sandwiches in an effort to regain the traffic he lost in 1991. His new menu has 14 hot and cold subs; eight dinner combinations; including baby back ribs; three salads; and five desserts.

"Deliveries have dropped by 100 a week since last year," complains Guthrie. "And it isn't competition, either. It's pure recession."

"I think January is going to tell it all," says Joe Sutherland, who is the operator of the 5-month-old Key West Grill and Bar in Columbia, S.C., and launched a big TV and radio campaign when sales took a 15-percent dip between October and November.

Sutherland says he's optimistic, but more so for the economy in Columbia — the state capital and home of the University of South Carolina — than for tourist- and convention-dependent Charleston, where he owns a second Key West unit.

"In Columbia we've got a much bigger work force," explains Sutherland, whose restaurant there is also the recent beneficiary of a lavish dining review.



SOUTHEAST

	Eating place sales 1991	Eating place sales(P) 1992	% Change* (real growth)
Alabama	\$ 2,255.7	\$ 2,375.2	1.5%
Arkansas	1,157.3	1,224.4	2.0
Florida	11,003.6	11,663.8	2.2
Georgia	4,738.2	5,093.6	3.7
Kentucky	2,274.3	2,401.7	1.8
Louisiana	2,564.0	2,681.9	0.8
Mississippi	1,093.5	1,152.6	1.6
North Carolina	4,691.8	5,071.9	4.3
South Carolina	2,380.4	2,563.7	3.9
Tennessee	3,021.4	3,232.9	3.2
Virginia	4,595.9	4,885.5	2.5
West Virginia	841.8	857.0	-2.0
Totals	\$40,617.9	\$43,204.2	2.6

* "% Change" adjusted to discount projected menu price inflation and represent "real" growth in total Eating Place Sales in 1992.

Source: National Restaurant Association

Steak-Out's David Martin, who operates in seven southern states, agrees that the cities with major universities and government offices have been more resistant to the bite of the downturn. He said Atlanta, Greenville, S.C., and Nashville, Tenn., are among his healthiest markets based on sales growth.

Steak-Out's David Martin, who operates in seven Southern states, agrees that the cities with major universities and government offices have been more resistant to the bite of the downturn. He said Atlanta, Greenville, S.C., and Nashville, Tenn., are among his healthiest markets in terms of sales growth.

"By the middle of 1992, the whole region will be pulling itself up by the bootstraps," remarks Martin, whose stores are starting to use coupons. "Meanwhile we're playing this economic hiccup like an opportunity — negotiating stronger deals for our continued expansion."

In Florida, where restaurant sales growth has outpaced that of the nation and the region the past eight years, the downturn is still being felt significantly in shrunken tourism. Even Orlando, which calls itself the nation's hottest resort market, is hurt by the softness, as operators have been reporting since last spring.

Restaurateur Michael Thomas, who operates 24 Miramar, Cathy's and Slider's Cafe in the Jacksonville market, has upped his advertising budget and expanded couponing to lure cautious patrons into his units.

"Customers haven't seen value like this in years," declares Thomas, who is boosting traffic at Slider's with a \$5 discount on meal purchases of \$20 or more. "I never expected to be doing coupons here."

Thomas estimates the Jacksonville market, which began slumping last June, is off by 20 percent.

"Unless someone in Washington wakes up, it wouldn't surprise me if this downturn continues until fall," says Matt Long, a general manager at Charcoals Restaurant in Miami.

The four-unit Charcoals chain, a casual steak-house and nightclub concept in Dade and Broward counties, has pared menu prices to boost business — running \$8.95 dinner specials the entire month of December, Long says.

One saving grace for all of Florida in 1991 was the steadiness of foreign tourism. And operators are hoping foreigners will continue occupying seats this year.

"I'm mainly concerned with whether they'll spend as much money as they did," admits Joe McCully, who operates 15-year-old McCully's Rooftop, a seafood destination in Bonita Springs.

McCully says he's serving more \$8.95 and \$10.95 specials — "sacrificing a bit of profit" — and offering his menu in German and French, as others have done in his market, between Naples and Fort Myers on Florida's southwest coast.

But there are a few pleasant surprises in the region.

New Orleans, a city that was economically crippled after the natural gas and oil bust of the 1980s and was abandoned by thousands of out-of-work professionals in the years that followed, is still one of the nation's popular tourist and convention markets.

According to Emile Hebert, general manager at the Court of two Sisters in the popular French Quarter, the expanded New Orleans Convention Center is 75 percent booked for 1992, and his restaurant is happily fielding more inquiries about business this year.

"If we had to rely only on local clientele, we'd be in big trouble," says Hebert, whose 1991 volume was down just slightly from that of the previous year. "But as long as people keep coming to town, we're going to stay busy."

1992 FORECAST & TRENDS

SOUTHWEST

by Robin Lee Allen

Very cautious optimism is stirring the spirits of Southwestern restaurateurs, who over the past decade have perfected the art of tenacity in the face of tough economic times.

While no one in the Southwest expects 1992 to be a year of record-setting growth, operators are certain that it will not be so bad as past years, and that many businesses will end it healthier than they started.

"I'm predicting a healthy '92 because, one, I'm an optimist and, two, restaurateurs are doing a better job educating themselves about costs," says John Garcia, executive director of the New Mexico Restaurant Association. "They are better operators. They have to be."

Eating-place sales in the Southwest are expected to see larger growth in 1992 than in other regions of the country, according to the National Restaurant Association.

Still, Southwestern operators are guarded. Concerns about the decreasing labor supply, higher food costs and governmental intervention loom large as 1992 unfolds. And recession remains a relentless preoccupation.

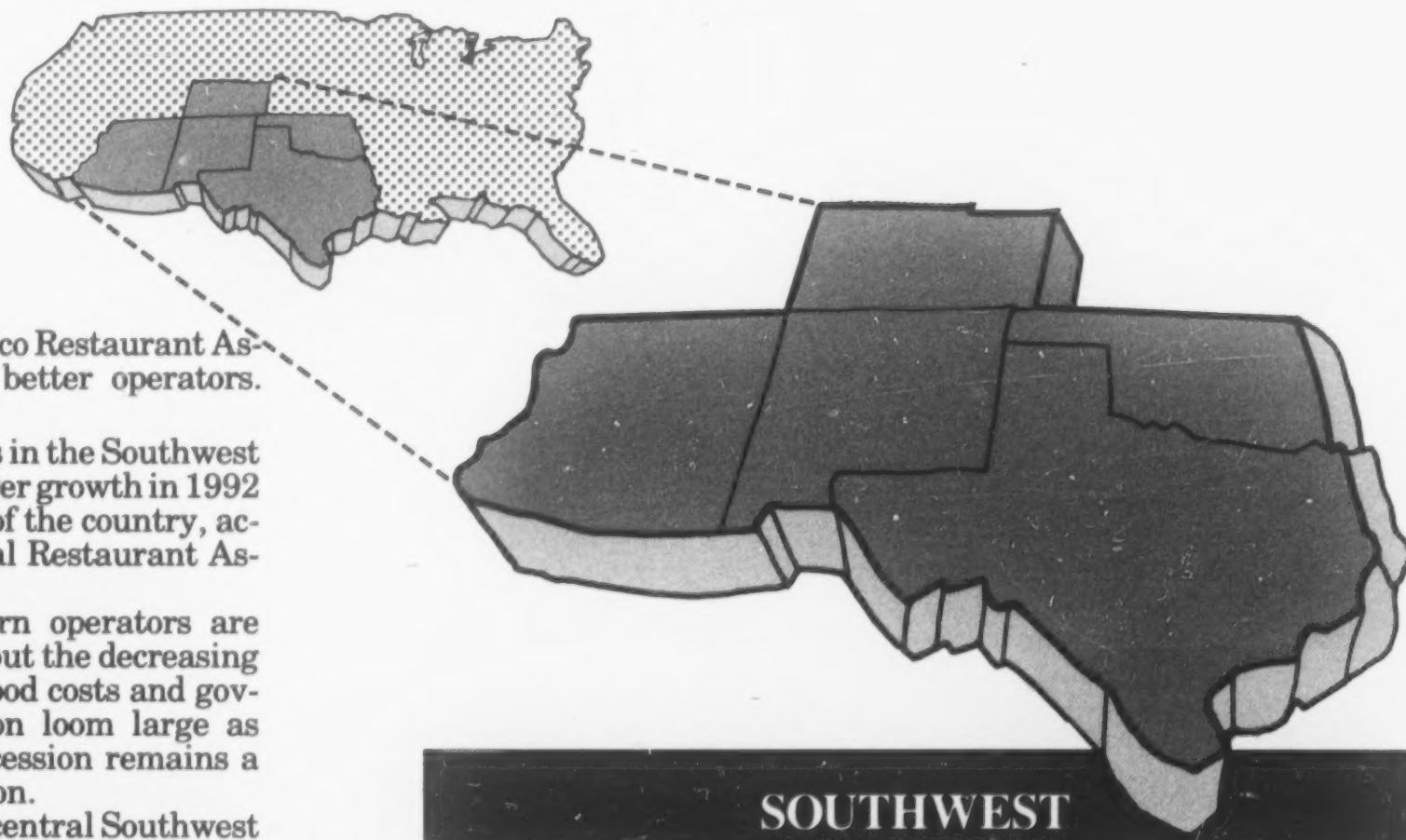
Recession hit the central Southwest about 10 years ago when the domestic oil industry dried up, evaporating jobs and discretionary income. Regional operators were forced at the time to make operational changes to survive. Thus, they were more prepared for the nation's current economic malaise than the operators who are now adjusting to the downturn.

"Whereas other parts of the country are going through the shock waves of layoffs and low consumer confidence, this part of the country has been dealing with a slow economy since the early '80s," explains Greg Lippert, vice president of marketing for Mazzio's Corp., a 248-unit midscale pizza chain based in Tulsa, Okla. "I don't think we're on the rebound, but I don't think we've lost any ground either."

As restaurateurs in other parts of the country look to recoup business with improved customer service and lower prices, many Southwestern restaurateurs put their revamped programs in place long ago. Those restaurants that could not adjust are already gone.

"We've seen the shakeout," observes Bob Clift, executive director of the Oklahoma Restaurant Association. "It's not nearly as prevalent now as four or five years ago. A good number of operators are healthy and will be here next year."

Stable membership in the Oklahoma Restaurant Association reflects some economic improvement, Clift noted. "We had the lowest attrition rate in the association than in any other year," he says regarding 1991. "We see that as



SOUTHWEST			
	Eating place sales 1991	Eating place sales(P) 1992	% Change* (real growth)
Arizona	\$ 2,566.7	\$ 2,800.2	5.3%
Colorado	2,679.0	2,906.7	4.7
New Mexico	982.9	1,052.7	3.3
Oklahoma	1,937.4	2,051.7	2.1
Texas	11,326.5	12,176.0	3.7
Totals	\$19,492.5	\$20,987.3	3.9%
* "% Change" adjusted to discount projected menu price inflation and represent "real" growth in total Eating Place Sales in 1992.			
Source: National Restaurant Association			

"I'm predicting a healthy '92 because, one, I'm an optimist and, two, restaurateurs are doing a better job educating themselves about costs. They are better operators. They have to be."

— John Garcia, executive director of the New Mexico Restaurant Association

a very positive sign. People in the restaurant industry are holding on and not going out of business."

That has not been the case in New Mexico during the past few years, Garcia points out. For a while boarded-up restaurants sprang up regularly on street corners around the state — especially when several Hardee's and Rally's units closed, he notes. But now those restaurants are reopening as independents.

"I think that we'll probably be looking at a better outlook in terms of restaurants opening," Garcia says of 1992. "People seem more willing to rent out space at more reasonable rates, and with interest rates coming down, it's easier to go into the restaurant business."

An influx of retirees — even though they are generally on fixed incomes — is also helping economic growth, Garcia adds. The National Restaurant Association puts New Mexico's eating-place sales for 1992 up 7.1 percent, or an adjusted 3.3 percent, at \$1 billion.

Texas restaurateurs are also welcoming what they hope will be a prosperous year. The NRA expects that state's eating-place sales to increase 7.5 percent, an adjusted 3.7 percent, to \$12.2 billion.

"We think a lot of good things will happen in 1992," observes John Wooley, president of Austin, Texas-based Schlotzsky's, a 230-unit sandwich, soup and salad chain. "Texas in particular is on the road to recovery. All of the trends are up. There's positive job growth, occupancy rates are up and retail sales are up."

To capitalize on the improved affairs of the state, Schlotzsky's is poised for substantial growth with a new area development franchise program and a new marketing position as a midscale restaurant with a quick-service format, Wooley says. He expects to open about 75 new restaurants in 1992 and to roll out the chain's new menu — with 28-percent higher prices — during the year.

The Texas cheer has not yet moved west to Arizona, where operators are now lamenting the possible loss of military bases, explains Penelope Miedaner, executive director of the Arizona Restaurant Association.

"That's going to have a negative impact," she prophesies. "Realistically, I hope we stay even. Generally, the feeling is not very positive, but of course, there are success stories."

Success stories are expected to boost Arizona's eating-place sales a nominal 9.1 percent, or an adjusted 5.3 percent — the largest percent change predicted for the states — to \$2.8 billion, according to the NRA.

Officials at Peter Piper Inc., a 118-unit pizza chain based in Phoenix, believe their business will be part of that growth.

"We think '92 for Peter Piper Inc. should be a positive year," says John Baillon, the company's director of franchising. Low prices, a budding delivery system and expansion into Mexico helped sales in 1991 and should continue to pay off in 1992, he adds.

1992 FORECAST & TRENDS

WEST COAST/

by Richard Martin

The recession's lingering clouds threaten to overshadow a few encouraging developments as 1992 dawns for restaurateurs in the West.

On the bright side, California's insurance commissioner, citing hardships on employers posed by the state's "gloomy economy," has disallowed an impending 11.9-percent rise in workers compensation insurance rates and limited them to an average 1.2-percent annual hike.

What's more, California Restaurant Association officials expect interest to grow in the state Legislature for a proposal to permit "risk pooling" by small businesses, a move that would enable them to offer group health insurance to employees.

Meanwhile, clever entrepreneurs and chain executives continue to find opportunities for profit among customers seeking sensibly priced and nutritious dining alternatives.

But high rates of unemployment and financial uncertainty are complicating efforts to lure back vast numbers of dispirited or nervous consumers whose enthusiasm for discretionary spending in restaurants has waned.

Widespread sluggishness in food-service sales is expected to continue throughout the Western region, whittling away profit margins and retarding expansion plans. At the same time economic contractions will contribute to government's growing appetite for new taxes and fees to offset budget shortfalls and new welfare claims.

"I don't see very much hope of things getting better for at least a year," says Donald F. Karcher, president of the California Restaurant Association and Anaheim-based Carl Karcher Enterprises and its Carl's Jr. chain.

"I believe '92 is going to be very tough for our industry as well as others," Karcher muses. "The smart thing to be doing is to control your growth — we're controlling ours — and to focus on doing what you do best, whether that's providing friendly service and great char-broiled sandwiches or whatever."

Blackie Hunt, owner of the Bootlegger dinner house in Las Vegas and incoming chairman of the Nevada Restaurant Association, also recommends that positive action be taken by those awaiting a recovery.

"If you're just sitting there doing nothing and waiting for the economy to come back, you may be waiting the whole year," says Hunt, who has implemented "heart-healthy" menu enhancements in an effort to counter last year's 10-percent sales decline at the Bootlegger.

But Hunt is worried by reports that many of his colleagues are sustaining 20- and 25-percent sales dips. "I can't conceive how these places can continue to exist for too long, he says."

Nevertheless, the National Restaurant Association predicts that eating places in Nevada will score the largest percentage sales gain of all states this year, increasing 9.9 percent, to \$1 billion.

Although Las Vegas is currently the nation's fastest-growing city and home to a vibrant hospitality economy, many of its restaurants remain competitively handicapped by the boom's principal benefactors — the casino-hotels that can afford to subsidize their dining out-

lets. "That's always been difficult for independents here," Black points out.

Pressures on restaurants in Nevada have mounted in the form of new business taxes that hit small employers hardest. Assessed on a graduated scale depending on the size of a business, the tax runs \$100 per worker annually for the Bootlegger's 40 employees, Hunt explains, but averages less for hotels and other large firms. "We fought it very hard," he says, sighing. "It's another burden we have to work around."

California's restaurateurs face the first of 1992's regulatory burdens in the form of a crisis at the state's Alcohol Beverage Control department. Gov. Wilson's plan to lay off three-fourths of the department's field investigators is expected to bolster efforts to re-enact "third-party" civil liability penalties against restaurants and bars in drunk-driving accident suits.

The looming cutbacks at the ABC are also certain to increase, and perhaps double, the time needed to approve beer-and-wine and spirits permits. "How can you conduct business if you can't transfer licenses in a timely manner?" asks Jo-Linda Thompson, the California Restaurant Association's legislative affairs director.

Worse still, some fear that the liquor license bureau's diminished investigative and enforcement activities will encourage drug- and alcohol-related crimes by those who are now deterred by the department's cooperation with local police on "stings" at bars and restaurants. "That's all we need," an exasperated Thompson says, referring to the potential for harm to the industry's reputation.

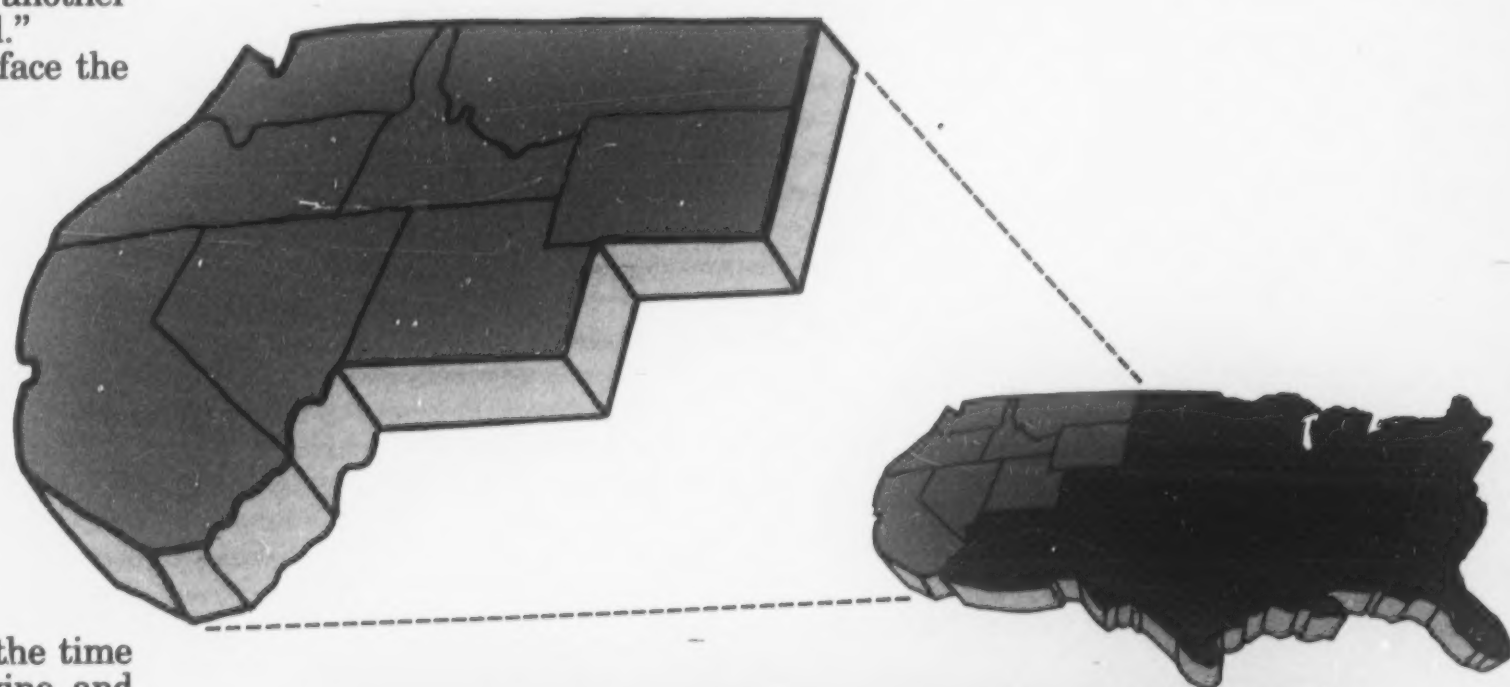
On the tax front, Thompson sees a "very big potential" for legislative action to reduce the deductibility of business-marketing meals. The threat to California's already reeling expense-account-dining restaurants would come from at least two pending bills that seek cuts in the current 80-percent deduction allowance, to 70 percent and as low as 50 percent.

"The state is in deficit again, and tax collections are falling," Thompson notes, explaining the mood of revenue-raisers in Sacramento. "We are certain to see a renewed interest in the reduction of the deduction."

She says new "user fees" and local taxes are also likely to proliferate in 1992. "The trend is going to be to find money to fund programs outside the normal collection route," Thompson explains.

In 1991 the California Restaurant Association identified 300 bills — 10 percent of all new legislation — that affected the hospitality and restaurant industries. The "parental leave" bill, which became law on Jan. 1, 1992, should be of particular interest to large restaurants and chains.

AB 77 requires businesses with 50 or more employees to grant unpaid leaves of absence lasting up to four months every two years for workers taking care of newborns, newly adopted children or a seriously ill child, parent or spouse. Exemptions apply to highly paid employees, a parent whose spouse is already at home, and women who are only



WEST COAST/NORTHWEST

	Eating place sales 1991 (in millions)	Eating place sales (P) 1992 (in millions)	% Change* (real growth)
Alaska	\$ 566.5	\$ 610.1	3.9%
California	26,377.2	27,907.1	2.0
Hawaii	1,915.0	2,028.0	2.1
Idaho	525.8	562.6	3.2
Montana	488.1	508.6	0.4
Nevada	911.8	1,002.1	6.1
Oregon	2,335.4	2,529.2	4.5
Utah	965.0	1,049.9	5.0
Washington	4,092.7	4,440.6	4.7
Wyoming	268.0	277.4	-0.3
Totals	\$38,445.5	\$40,915.6	2.6

* "% Change" adjusted to discount projected menu price inflation and represent "real" growth in total Eating Place Sales in 1992.

Source: National Restaurant Association

allowed one additional month beyond the four-month maternity leave already allowed by state law.

Employers, who can disallow the leave if it poses an "undue hardship" on their business, may require employees to use their vacation time toward the parental absence.

Mandated health benefits remain a persistent threat on the legislative agenda in California, but Thompson believes that the financially strapped state's own burdensome civil-service payroll may convince lawmakers to backpeddle on the matter. "If a lower-cost way can be found to fund these benefits we may have a problem, but I'm not sure that can be done," she said.

More likely, Thompson said, is the possibility that California's restaurateurs may confront new legislation permitting punitive and compensatory damages in job discrimination suits, mirroring the new federal civil rights act. She said it is "doubtful" whether

Gov. Wilson would block implementation of such a bill, even though he has risked public wrath recently by vetoing an antidiscrimination bill sought by homosexuals and by proposing massive cuts in welfare spending.

Stagnation this year seems an unlikely prospect for California's foodservice industry, despite the state's economic woes. But projections by the National Restaurant Association that California's eating-place sales will advance 5.8 percent during 1992, to \$27.9 billion, have been met with skepticism.

"I think that's very optimistic," the CRA's Thompson said, citing a California Business Roundtable survey which indicates that the number of businesses planning to leave the state grew from one in seven to one in four last year. "I think California's business climate is going to be problematic for some time," she predicted. "With companies leaving California, I don't understand how that creates a climate for growth."

1992 FORECAST & TRENDS

NORTHWEST

by Alan Liddle

Oregon and Washington operators, who managed to sidestep much of the economic misfortune that mauled their peers in other states in 1991, are keeping their fingers crossed that the rest of the country recovers before the negative momentum drags them into the quagmire.

Brent DeMesquita, vice president of organizational development at 285-unit Taco Time in Eugene, Ore., says his chain realized its most profitable year from operations in 1991.

Same-store sales and systemwide sales were up for the year, and the chain saw its number of restaurants grow by about 5 percent, he indicates, but the company is concerned that a slow recovery in states outside the Northwest and Mountain regions could slow its forward motion.

"The only question that we, and everybody else, has is, 'What is the economy of the nation going to be like [in 1992]?' DeMesquita remarks. "If people who wish to franchise can't get the money, it could get very interesting."

Jim Simonson, vice president of operations at Seattle-based Restaurants Unlimited Inc., notes that same-store sales for his company's 21 full-service restaurants were off by about 4 percent in 1991. He points out, however, that the overall sales picture was skewed by the poor performances of some regions outside the Northwest.

"Seattle has pretty much held its own: It's 'soft,' but it didn't show the decreases we saw in California. That [economy] is sad," Simonson says.

Giving a quick rundown of R.U.I.'s operating areas, he explains: "Philadelphia, the [San Francisco] Bay Area and Los Angeles [showed noticeably] in the second half; Hawaii and Alaska, they've both been up significantly; don't ask me why. And Minneapolis . . . we wouldn't mind having 21 restaurants in Minneapolis."

As for the coming year, Simonson says, "We're predicting sluggish [economic conditions] or more of the same."

Based on projections of above average growth in population, employment and personal income, the National Restaurant Association is forecasting that food and beverage sales will increase by 8.5 percent in Washington eating places and by 8.3 percent in Oregon eating places during 1992. In 'real' terms, or adjusted to discount anticipated menu inflation, those growth rates are 4.7 percent and 4.5 percent, respectively.

That projected rate of real growth ranks the two Northwestern states among the top five nationwide. Other states in the top five are Nevada (6.1 percent), Arizona (5.3 percent), Utah (5.0 percent) and Colorado (tied with Washington, 8.5 percent).

NRA projections indicate eating-place sales in Washington should reach \$4.4 billion this year, while volume at Oregon's eating places is expected to go as high as \$2.5 billion.

"Oregon this past year has done better than the nation as a whole in terms of maintaining a pretty solid economy; it's been a little 'soft,' but most of that is related to anxiousness over the national economy," observes William Cross, executive vice president of the Oregon Restaurant Association.

If Oregon's economic fate is tied to the nation's, optimistic operators with a pessimistic view of lawmakers are smil-

ing. The upcoming race for the White House, they reason, is likely to spur some positive, though possibly only short-term, action.

"We're anticipating in an election year seeing better things happen across the other states," Cross remarks. "If that happens, we expect people [Oregon consumers] to be less anxious about their spending."

Taco Time's DeMesquita notes that uncertainty about the time line of the recovery has prompted the quick-service Mexican chain to focus internally for a while.

"Much of our concentration will be on existing franchisees with [royalty-based] incentives for remodels, operational excellence and the opening of additional units," he explains.

Dave Thomason is president of Thomason Restaurants Inc. of Grants Pass, Ore., operator of six franchised Carl's Jr. hamburger restaurants and a Blimpie sandwich shop. He says his southern Oregon-based company's 1991 sales were up by about 4 percent following two years of double-digit growth.

"Many [operators] I've talked to in this region are doing quite well," observes Thomason, an Oregon Restaurant Association officer. "It [Oregon] is not as dependent on timber as it was once, and tourism is a growing industry."

Adds Thomason, "Most of my locations are freeway oriented and situated to take advantage of the growth in tourism."

Bend, a haven for outdoor recreationists, and the coast are two of the hottest tourist attractions, state officials indicate.

In the Portland Metropolitan Area "we're getting more involved in Pacific Rim trade of agricultural products," the restaurant association's Cross says.

"Timber, tourism and agriculture — those are our biggest industries," Cross explains. "Of those, only timber is going to be off [in 1992], and that really is just a continuation of the downsizing that has been going on for the past four or five years."

"We will see operations in timber-dependent towns, smaller communities, start to suffer [this year]," Cross acknowledges.

The influx of retirees to the southern part of the state has also helped Oregon restaurateurs to maintain respectable rates of growth. Many of the new residents are from California.

"Despite the real-estate woes in California, people still are cashing out at levels that let them come up here and build their dream homes for half of what they would spend there," Carl's Jr. franchisee Thomason notes. "We've found that what you might call the 'typical' retiree is evolving: They are younger than ever, tend to have more money and they are spending it."

California businesses, and their counterparts from other states, are also expressing an interest in relocating to Oregon. Thomason, who sits on the board of the Southern Oregon Regional Economic Development Inc., says that as many as 50 companies are nibbling at the bait laid out by the state's boosters.

"Water is plentiful, we have a strong and adequate work force, and the cost of land is not as high [as in California]," Thomason explains.

NRA forecasts for Washington look good on paper, but reports from opera-

tors illustrate that plenty of highs and lows are factored into the statistical averages and plenty of uncertainty.

"We had a net loss of restaurants," Ray Lindstrom, Restaurant Association of the State of Washington, says of the recession's toll. "It has been particularly hard on independents."

Lindstrom is president of Restaurants Unlimited.

As was the case at Restaurants Unlimited, Timothy Firnstahl, owner of Satisfaction Guaranteed Eateries of Seattle, too, saw mixed results in 1991. In his case, however, the ups and downs were experienced in one market.

"This was the worst summer in the history of Jake's; now it's breaking records," he says of his well-known Seattle

cina! concept has performed strongly during the recession.

"We were up about 10 percent in sales [to \$34 million], and profits were up substantially," Schwartz points out. "We're looking forward to '92, but we're not going to go out and expand like crazy."

While existing Schwartz Brothers restaurants have apparently weathered the recession well, the economy is making it difficult for the company to add new units, Schwartz indicates.

"We're negotiating on several locations and hope to open two [Cucina! Cucina! units] in 1992," he says. "One of the reasons we haven't made any deals yet is the economy: Landlords are reluctant or unable to put in improvements; they

"I think we are suffering from a lack of leadership in this country and, as a result, consumer confidence, as evidenced by the polls, is at an all-time low . . ."

— Timothy Firnstahl

restaurant Original Jake O'Shaunessy's. Referring to his newest venture, the year-old Sharp's Fresh Roasting, Firnstahl says, "It started slow, slow because of the [unseasonal] snow, and every month it gets a little more [business] but I've never seen a restaurant build so slowly."

Adds Firnstahl, "I think we are suffering from a lack of leadership in this country and, as a result, consumer confidence, as evidenced by the polls, is at an all-time low. Dining out is discretionary, and as such, I think we're being affected. I think it would help a great deal if there was some sort of a solid, highly visible economic plan put forth [by political leaders]."

"We're not where we thought we'd be now [businesswise] two years ago, but we're doing a lot better than we thought we'd be doing this time last year," notes Tom Douglas, co-owner of the eclectic and contemporary Dahlia Lounge in Seattle. "Who the hell knows what is going to happen in 1992? My sous chef left at the end of September, since last year [fourth quarter] was soft. I wasn't going to replace him, but I've been buried [with work] since."

Schwartz Brothers Restaurants of Bellevue, Wash., is among the companies that fared well in 1991.

"We've had our best year ever," explains Bill Schwartz, president.

Schwartz Brothers operates nine restaurants, including three moderate-priced Cucina! Cucina! Italian restaurants and two contemporary steak and seafood houses called Daniel's Broiler. Company officials say the Cucina! Cu-

can't get the money."

Mad Anthony's Inc., also based in Bellevue, operates five Anthony's Home Ports, which are white tablecloth seafood restaurants; a low-ticket full-service seafood restaurant called Chinooks; and a Confetti's, a restaurant specializing in rotisserie-cooked chicken, wood-fired pizzas and prime ribs.

"We're mighty grateful the year ended so well — up 4 percent [overall]," remarks Sally MacArthur, the company's executive chef. "Chinooks was up almost 10 percent, doing almost \$4.5 million [in sales]."

Gene Vosberg, the Washington restaurant association's executive vice president, reports, "Sales are flat, generally. In the top-end segment, maybe even worse." He says comments from restaurateurs indicate Washington consumers have been trading down from higher-end restaurants to eating spots with moderate prices.

"That doesn't mean the midscale people are getting fat," he stresses. "People who were dining at that level are stepping down themselves or not spending at all."

Vosberg says state officials have been talking about the potential for a \$900 million budget shortfall in the coming year, and that has operators worried.

"Our concern is that the Legislature during the upcoming [January] session will look for ways to raise revenues," the RASW official notes. "That might mean some sort of increase in sales tax or new 'user' taxes [fees]. These things [revenue-raising schemes] always seem to reverberate down to the operators."

1992 FORECAST & TRENDS

MIDWEST

by Carolyn Walkup

Key operators and analysts in the Midwest are preparing for a tough first half of 1992 while they hope for improving economic conditions later in the year.

"There is no indication that we are into a recovery," says Ron Paul, president of Technomic Inc. "I expect to see a shakeout. We will see some shutterings in the whole Rust Belt."

Diane Swonk, senior regional economist of First National Bank in Chicago, predicts a soft start to 1992 with mounting consumer frustration. Economic growth will be below 3 percent, she said, generating more unemployment.

She expects some improvement in the second half resulting from the dollar's depreciation. There should be a bouncing back in industries like auto, machinery and tools, resulting in a boost to the Midwest's economy.

"The advantage in the Midwest is that we didn't party as hard in the 1980s," Swonk commented, referring to the excessive debts incurred by much of corporate America.

Swonk foresees only marginal wage and salary increases, with real disposable income, adjusted for inflation, totaling just 1.2 percent.

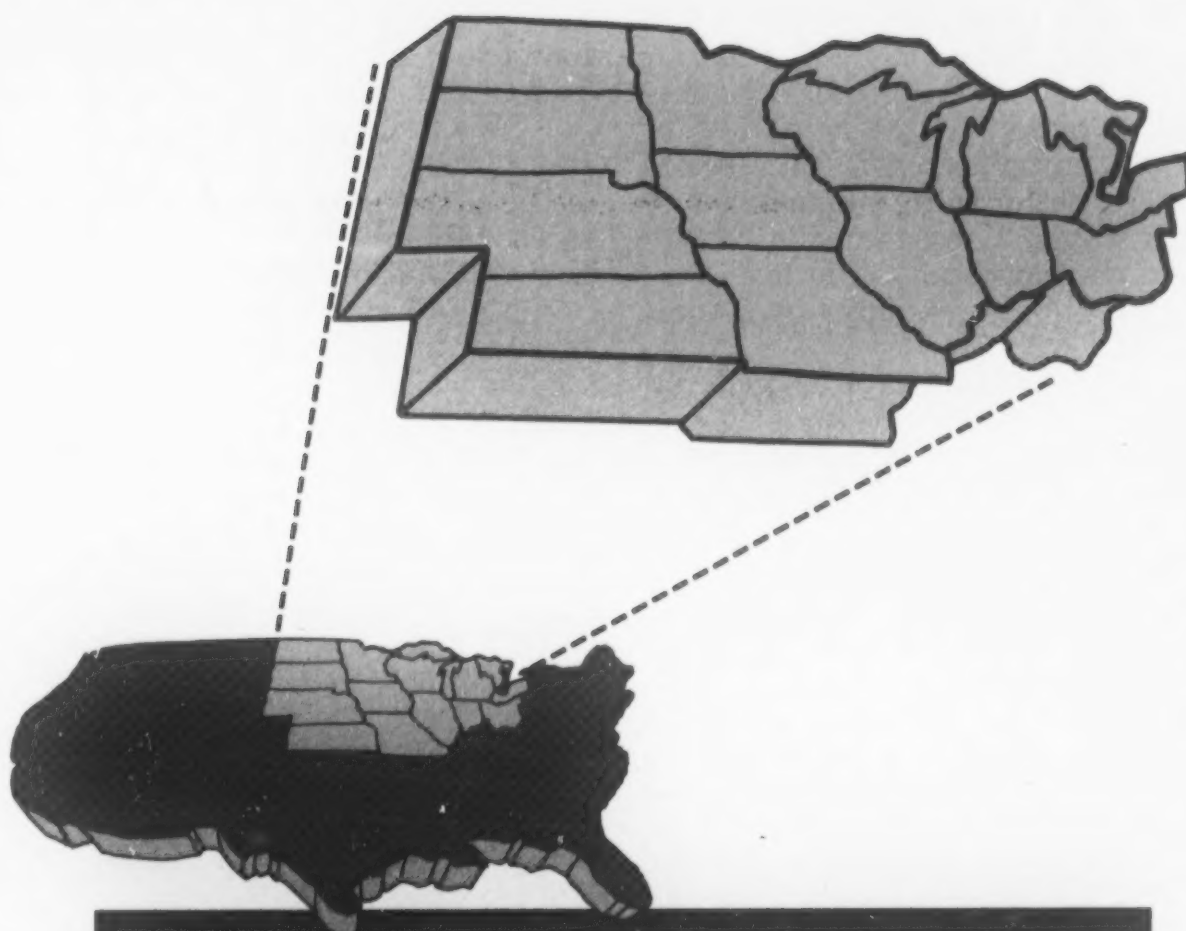
Restaurant operators, too, anticipate little economic growth and are preparing for that eventuality. "The first six months will be the toughest," explains Tim McGivern, president of the Illinois Restaurant Association and operator of Great Godfrey Daniels in suburban Skokie, Ill. "The economy will pick up in the second half of the year."

"We are somewhat fortunate that our industries and economy in Illinois have stayed pretty strong," McGivern said. "I don't think the economy is as bad off as we are led to believe."

Chicago-based Levy Restaurants President William Post said his company is "cautiously optimistic" about 1992. "This will be the decade where service will be king."

The record number of new openings in Chicago in 1991 probably means a large number of closings will occur in 1992 owing to market saturation, Post forecast. "The people who will survive will be those who stick to and know the basics of our business."

Several operators expect economic conditions to improve because 1992 is an



MIDWEST

	Eating place sales 1991	Eating place sales(P) 1992	% Change* (real growth)
Illinois	\$ 8,024.4	\$ 8,374.5	0.6%
Indiana	3,444.0	3,626.5	1.5
Iowa	1,605.3	1,676.0	0.6
Kansas	1,587.0	1,674.3	1.7
Michigan	6,065.8	6,326.7	0.5
Minnesota	2,997.6	3,198.5	2.9
Missouri	3,545.5	3,744.0	1.8
Nebraska	960.3	1,005.4	0.9
North Dakota	354.2	366.6	-0.3
Ohio	7,026.5	7,469.3	2.5
South Dakota	386.8	403.5	0.5
Wisconsin	3,341.0	3,548.2	2.4
Totals	\$39,338.4	\$41,413.5	1.5%

* "% Change" adjusted to discount projected menu price inflation and represent "real" growth in total Eating Place Sales in 1992.

Source: National Restaurant Association

election year. George Mancy, president of the Ohio Restaurant Association and owner of Mancy's Restaurant in Toledo, is one of those who are somewhat optimistic.

On the down side, Mancy predicts a shakeout of "marginal" operators, especially those who operate restaurants as a secondary business. "Now it will be the

professionals who are left," he remarks.

In Minnesota, Wayne Kostroski, new state association president, says: "I think people are just continuing to be more assertive about what they get for their money. Operators who just try to get by will suffer."

"It comes down to how good a restaurant is at any level," Kostroski continues. People will not give up their enjoyment of dining out and seeking entertainment at restaurants with friends and business associates, he states.

Kostroski says he is more worried about action or inaction by the state Legislature than he is about the public's inclination to dine out. Operating restaurants in Minnesota is harder than in many other states, he explains, because there is no tip credit, property taxes continue to rise and the minimum wage is going up.

"Small operators, particularly, are in trouble," he notes. "In Minnesota we have got to send an incredibly loud wake-up call to our state Legislature," Kostroski advises. "They just don't get it."

Neither political party realizes that the hospitality industry is Minnesota's second-largest employer and revenue producer, he claims. When the industry suffers, it affects an entire network of people, including farmers, producers and suppliers.

In Michigan restaurant operators are hoping for recovery in the auto industry, which affects most other industries in the state one way or another. "Once consumer confidence comes back, people will go out more often," observes Robert Machus, president of Machus Restaurants & Pastry Shops in the Detroit area.

Another veteran Detroit restaurateur, Chuck Muer, president of C.A. Muer Corp., a dinner-house group, recommends that fellow operators who expect to survive "make the best of what you've got. Keep the customers happy and get them to come in more often."

Looking beyond the problems of the restaurant industry to those of society at large, Kostroski says he hopes to raise the social consciousness of the industry about hunger. "We are in an industry that is in the business of feeding people," he notes. "We are the best people to come up with solutions on a day-to-day basis."

He would like to see the industry get more involved in job training and placement of the underclass to help them get out of the poverty cycle permanently.

NORTHEAST OUTLOOK: The strong will get stronger

(Continued from page 30)

sent the consumer with something that is a major value. Restaurant customers are more sensitive to prices than I've seen in the last 30 years."

But, he concludes, "if you do the right thing, the market is there."

Not all executives are so optimistic, however. Craig Miller, president of Uno Restaurant Corp. in West Roxbury, Mass., shrugs off the possibility that 1992 holds much improvement over 1991. "I don't see a lot of signs of resurgence in consumer confidence," he says. "And I don't see any real signs that things are getting much better."

Sales, he continues, still tend to be uneven. "We're still seeing a softness in the early part of the week. We have a few up days, and we have a few down days."

And while "there are certainly more opportunities than there have ever been, money is also tight," Miller notes.

Michael Weinstein, president of Ark Restaurant Corp. — the operator of about two dozen tablecloth restaurants in New York, Boston and Washington — asserts that an economic recovery for the region is nowhere in sight. "People I speak to have witnessed no turnaround. In fact, many have seen a deterioration of business," Weinstein points out.

And yet, as a result of increasing efficiencies within the company, Ark is enjoying expanded gross profit margins, according to Weinstein. "We're making more than ever before," he explains. "We've lowered our structured costs. Because of our size, we can cut good deals with our landlords and suppliers."

In addition to opening a restaurant in Bryant Park in New York later this year, he says, Ark is drawing up plans for several big projects outside of New York — possibly in suburban Washington.

"Right now New York is a hostile business environment," he observes. "And now that we've learned how to travel, we will."

New York's Dennis Riese notes that while business appears to be trending upward slightly over last year's, a major challenge for 1992 will be operate with fewer customers and lower cash flow. "We have to find new ways to grow," he says, adding that not all landlords have yet to throw in the towel on 1980s-style rents. "Landlords are still not being totally realistic; some rents have indeed declined, but others haven't."

One bright spot in the bleak Northeast picture, however, has been Washington, D.C. Generally speaking, executives who operate units in Boston, New York, Philadelphia and Washington, portray the nation's capital as being the healthiest of the lot. "We enjoyed the best same-store sales in D.C. during the last quarter," Shaich notes.

And that trend is only expected to improve during this election year. "We're seeing a lot of activity in Washington," Weinstein adds.

Tom Rouland, executive vice president of the Restaurant Association of Metropolitan Washington, agrees. "Washington has a solid employment base," he explains. "And there's been no substantial reduction in employment here. It's very stable."

1992 FORECAST & TRENDS

Commodities face good outlook for 1992

(Continued from page 26)

According to Ralph L. Parlett, an agricultural economist for the USDA's Economic Research Service, there are three major factors that affect retail food prices: consumer demand for food, prices of food commodities at the farm level and the costs of processing and distributing goods to consumers.

The prices foodservice distributors pay may be different from those paid by the consumer in the supermarket, but the two are strongly linked. If consumer demand increases and supplies of a food don't, prices rise. They rise for the foodservice operator as well, since both the retail and the foodservice sources dip from the same well.

The same thing happens when there's a surplus of a food and consumer demand doesn't expand. The price drops not only in the supermarket but also for the foodservice operator.

Red Meats

Red-meat consumption is forecast to grow by about four pounds per person in 1992. It will be balanced by a strong increase in the supply of beef and pork.

Cattle producers are increasing their herds, because they have been getting reasonable returns over the past year. In 1992 calf production is expected to be more than 2 percent greater than it was last year. At the same time commercial cattle slaughter is expected to be larger than the reduced levels in 1991, which were the lowest since 1964.

Feeder cattle will continue in tight supply, particularly during the first half of the year. But since feedlot operators are holding cattle longer, a smaller number of feeder cattle provides a substantial increase in weight at slaughter. Continued moderate feed grain prices have contributed to holding the animals on feed for longer periods. Choice beef prices are expected to range from slightly below last year's average to as much as 4 percent above this year's.

Commercial veal production in 1992 is expected to decline about 8 percent from last year's. That is expected to match the decline from 1990 to 1991. Calf slaughter has declined sharply over the past several years as increasing numbers of calves are held over for herd expansion or sold to feedlots.

The supply of formula-fed veal, however, is expected to remain about stable although prices are expected to rise from 3 percent to 5 percent. Formula feeders are slaughtering calves of larger sizes. Between 1990 and 1991, the average carcass size for formula fed calves jumped from 177 pounds to 205 pounds. However, that has reached just about the largest practical size, and little change in carcass weights are expected this year.

Lamb and mutton production is expected to be about the same for 1992 as it was last year. However, strong exports of sheep to Mexico have cut the herd sizes here. Lamb prices are not expected to rise much this year, because U.S. lamb consumption remains fairly flat to lower. But the reduced national herd size could result in reduced lamb production later in the year, which might put upward pressure on prices during the fourth quarter.

The hog population continues to expand, fueled by moderate feed costs. Pork production in 1992 is projected by the U.S. Department of Agriculture to be 17.2 billion pounds, carcass weight, exceeding the previous 1980 record of 16.4 billion pounds. This year's pork production will be 8 percent higher than last year's. The greatest increase is expected to occur during the spring and summer.

Exports for red meats are expected

There are three major factors which affect retail food prices: consumer demand for food, prices of food commodities at the farm level, and the costs of processing and distribution good to consumers.

WHAT'S AHEAD FOR KEY COMMODITIES

COMMODITY	OUTLOOK
Beef	Flat to slightly down
Veal	Up 3 to 6 percent
Pork	Down, as much as 12 percent
Lamb	Up slightly
Broiler chickens	Down 1 to 2 percent
Turkey	Up slightly higher
Eggs	Down slightly
Seafood	No change
Cheese	Down slightly
Other dairy products	Up 1 to 3 percent

Source: USDA, NRI Research

to increase during 1992, while imports decline. That could affect prices, but only slightly moderating their expected decline.

Poultry and Eggs

Domestic consumption of poultry is forecast to increase about 3 pounds per person this year. Broiler producers are expecting to increase production at about the same rate. Turkey producers are expecting to cut back the rate of production to bring supplies back into line with consumption.

The increased poultry and red-meat production anticipated will keep strong downward pressure on prices, particularly for broiler chickens. Today most of the U.S. broiler output is sold in forms other than the whole bird, in retail markets as well as to foodservice operators. Prices for broiler parts are expected to remain fairly flat, with some parts in strong supply at somewhat lower prices.

Turkey producers actually cut back the rate of output growth last year to about 3 percent, and that rate of increase is expected to continue this year. However, changes in purchasing and sale patterns by supermarket chains pulled the price rug out from under turkey producers in the last quarter of 1991, and the low prices resulted in sharp losses. If the price doesn't rise to 1990 levels during the first quarter, production may be cut back further until it reaches levels producers consider profitable.

Turkey normally follows a seasonal price pattern, with low prices during the first half of a year, gradually rising through the second half. Producers still sell a large part of their production — about 70 million birds or about 24 percent of production — for consumption during the holiday period from Thanksgiving through Christmas although it no longer takes the majority of production.

A few years ago it ran to 80 percent of the year's output. A large part of production now goes to processed products, particularly in the foodservice market. Prices for these processed products tend to remain more stable than for whole turkeys.

Egg production for food use is expected to remain about steady in 1992. There was a small (about 1 percent) increase in production during 1991. Egg prices rose sharply when the industry cut back production in 1988 and 1989, but output gradually increased and prices dropped through 1991.

The big factor in egg pricing is the continuing reduction in U.S. consumption. Consumption of eggs per person last year was down to 232. It's expected to drop another egg per capita in 1992. However, some of the reduction is canceled out by the increased use of processed eggs.

Because of increased concern about food-borne illnesses, such as salmonella, legislation at both federal and state levels has been considered. This would, among other restrictions, require shell eggs be refrigerated at all levels of distribution. That would increase costs for some producers if such laws are adopted.

Seafood

Greater demand for seafood of all types in this country and throughout the rest of the world has reduced supplies and increased prices. There is no reason to think that harvests of cod, flounder, halibut and crab will increase greatly during 1992, so prices will probably remain near last year's levels.

One area where there has been oversupply has been in domestic catfish production. However, the lower prices resulting are not expected to last long. Many producers are cutting back production or going out of the business, and the industry is expected to shrink during

1992. That could mean a rise in catfish prices during the year.

Shrimp prices are expected to remain fairly stable. One of the major factors will be the value of the American dollar on the world's currency markets. At this time about half of U.S. shrimp consumption consists of imports, much of which is grown under controlled conditions on aquaculture "farms."

Dairy Products

The supply situation for the dairy industry is good — from that industry's standpoint. As we go into 1992, milk supplies are smaller, wholesale dairy product prices are stronger and there are far less surpluses holding a ceiling on prices.

At the same time, however, prospects for price increases generally are not too strong. Milk prices are expected to remain fairly stable. Butter, American cheese and yogurt usage dropped during 1991, and prices are expected to stay at or below last year's levels. On the other hand, if demand for Italian-style cheeses continues to increase, it may keep those prices at or higher than last year's.

Fruits and Vegetables

Weather had a dramatic impact on fruit and vegetable production last year. The hard freeze in California during 1990's Christmas season severely damaged citrus crops, greatly reducing fresh-market orange supplies. Cold, damp weather continued on the West Coast into the spring, slowing fresh vegetable growth and causing voids in the market distribution pipeline.

As a result, prices for fruits and vegetables were much higher than normal in the first and second quarters of 1991. However, as vegetable supplies reached more normal levels in the third quarter, prices declined. In the final quarter of the year, a combination of extremely high temperatures in California's central valleys and whitefly depredations in the southern desert areas caused disruptions in vegetable and melon prices.

With cold weather halting the activity of the whiteflies, normal production is forecast for this spring, with lettuce prices actually being unseasonably low during a good part of the winter months.

In 1992 orange production will still be low in the West because of tree damage suffered during last winter's freeze. Domestic fresh orange supplies will be larger than last season's, but they are expected to be well below the prefreeze levels of 1990. Fresh orange prices will likely remain high through 1992.

Although the price structure of foods is not directly linked to economic conditions, the recession can serve to keep a cap on food prices, at least through the first half of this year. It will mainly affect the prices of the more stable supplies, such as red meats, poultry and dairy products.

Fresh vegetable prices will be affected by the acreage planted by growers. Expected lower production in both Florida and Mexico during 1992 may impact prices. And natural disasters are always a worry.

But, in general, foodservice operators should see price increases overall for the foods they use remain about even with or slightly lower than the rate of inflation for this year. The increase in food on the federal government's Consumer Price Index is expected to run about 2 percent to 4 percent higher than 1991, according to estimates offered at the USDA's agricultural outlook conference held last month.

Nation's Restaurant News

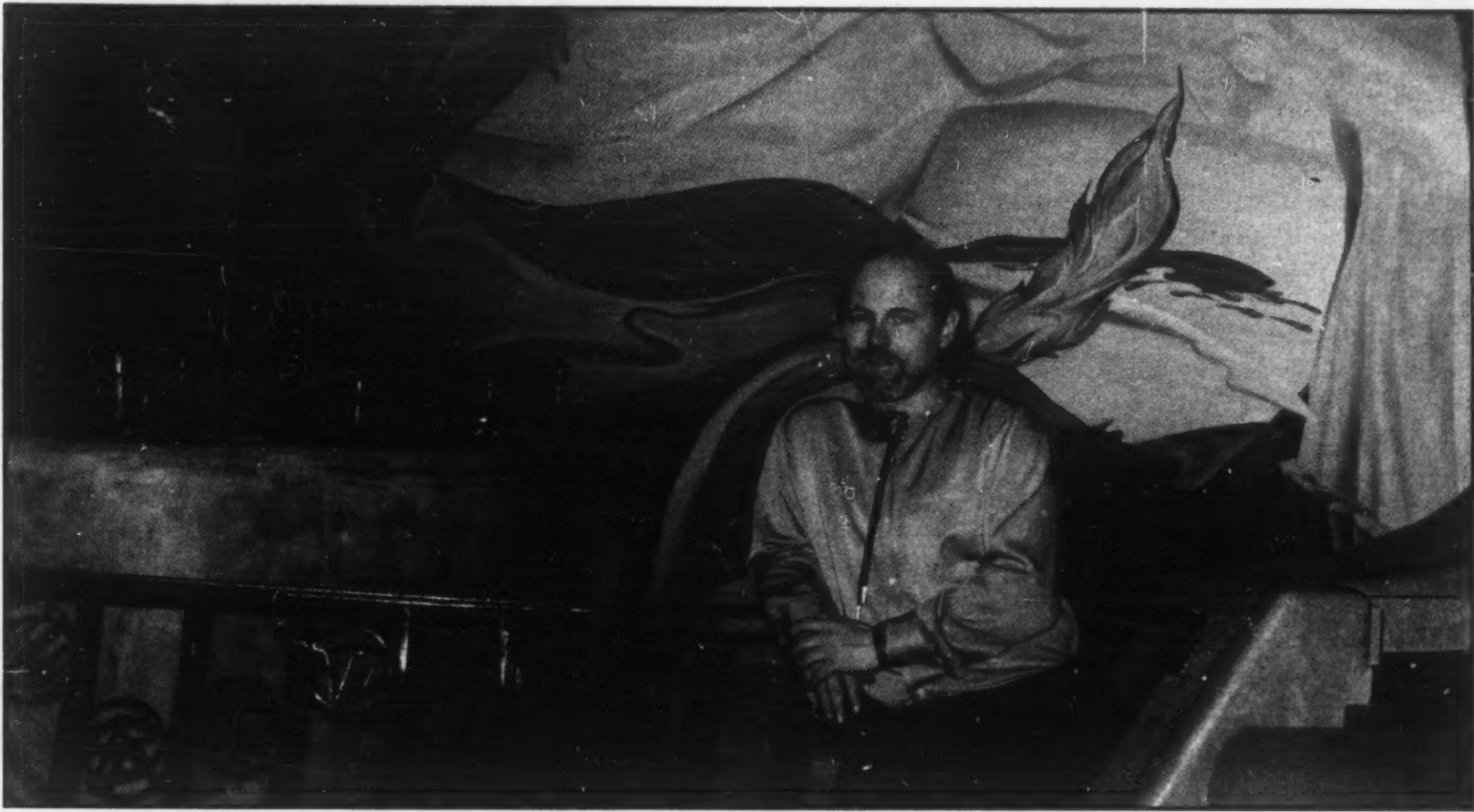
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Mark Miller inside his latest venture, the American West-themed Red Sage in Washington, D.C.

Miller lassoes D.C. diners at Western-style Red Sage

by Paul Frumkin

WASHINGTON — Mark Miller, one of the pioneers of the Southwestern culinary movement, has ridden into the nation's capital with a lavish new restaurant that showcases the cuisine and the culture of the American West.

Miller, who owns and operates the much-imitated Coyote Cafe in Santa Fe, N.M., invest-

ed \$3.5 million to open the restaurant earlier this month in the turn-of-the-century Westery Building, located about a block from the White House and across from the Willard Hotel.

Housed on two floors, the 20,000-square-foot operation comprises a 110-seat street-level cafe, a 150-seat main dining area downstairs, three private

dining rooms with 100 seats and a large retail outlet. Miller's partners in Red Sage include Steven Goldberg, a principal owner in the 11-story building, and Terry Peay, a partner in Coyote Cafe.

Miller, who has been directing the design and development of Red Sage for more than (See MILLER, page 49)

ADA imposes new duties on operators

Enactment of first phase saddles industry with undefined obligations

by Peter Romeo

WASHINGTON — A sweeping new set of responsibilities was imposed on the foodservice industry when the clock struck midnight on Jan. 26, officially enacting part of the Americans with Disabilities Act.

The landmark measure aims to knock down the barriers that hinder the employment and mobility of the 43 million Americans who are physically or mentally impaired.

To achieve that end, the ADA obligates restaurants and other public places of business to alter jobs, management attitudes and the physical layouts of their facilities. More stringent requirements are placed on newly constructed and renovated establishments.

If a disabled person even suspects that a restaurant has failed to meet those responsibilities, he or she can sue the place for compensatory and punitive

**The ADA is here:
Accept it and move on**
See editorial/Page 21

damages ranging as high as \$300,000.

In addition, the place could be sued or fined by the U.S. Department of Justice.

Those enforcement tactics have greatly worried industry officials, who note that the ADA's regulations are expressed in vague terms that were purposely left open to interpretation. Mindful that the act had to apply in widely varying circumstances, regulators stated the law's mandates in broad generalities rather than finite dos and don'ts.

"There are no precise parameters," said Richard Johnson (See INDUSTRY, page 4)

Nothing to 'yoke' about: NJ reconsiders ban on undercooked eggs

by Peter Romeo

TRENTON, N.J. — State officials are scrambling to rescind New Jersey's controversial "runny eggs" regulation after the offbeat ordinance briefly

captured the attention of the media.

The state's health department has already advised local authorities to stop enforcing the restriction while it is being reconsidered.

Intended to halt the spread of salmonella, the regulation prohibits restaurants from serving eggs that have not been heated in their entirety to 140 degrees, a temperature that kills the salmonella pathogen. Because the yolks of sunny-side up or soft-boiled eggs are not always heated to that threshold, a restaurant could be fined as much as \$100 for offering those preparations.

"If it's a runny egg, it may (See NJ, page 4)

CFO, director Greenberg named vice chairman at McD

by Milford Prewitt

OAKBROOK, Ill. — Back from an 18-month detail as a kitchen crewman and a field supervisor, Jack M. Greenberg, McDonald's top financial executive, has been named vice chairman of the company.

Filling a 6-year-old vacancy, the 49-year-old Greenberg assumes the second-highest-level executive position in the company, directly behind Michael R. Quinlan, who was appointed chairman a little more than a year ago, at age 46.

Greenberg retains his titles of chief financial officer and director.

His promotion was interpreted by some McDonald-watchers as a sign that the company is giving greater emphasis to financial management in its strategic planning. Histori-



Jack M. Greenberg

cally, the operations side of the business has set the pace, longtime company observers say.

"McDonald's has always

been an operations-minded company, and operations are critical," observed Mike Mueller, an analyst with Montgomery Securities. "But as it expands overseas and introduces new products, budget management and the cost analysis needed to implement these new programs will take on a bigger role."

Most analysts suspect that Greenberg's promotion is a reward for a job well done, a recognition of his success in finding and building the financial means to pay for McDonald's voracious international expansion drive.

"This appointment recognizes that he has done an outstanding job," Mueller continued. "Given their complexity of (See GREENBERG, page 49)

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Vol. 26, No. 4

January 27, 1992

NEWS BRIEFS

Sales growth slowed in Dec., government says

WASHINGTON — Sales at the nation's eating and drinking places softened in December, rising 4.4 percent on an annual unadjusted basis after hitting a 5.3-percent rate of gain in November, the U.S. Census Bureau reported in its monthly retail sales report.

December's increase in industry sales was equal to October's increase.

The deceleration paralleled the decline in menu price inflation, according to the U.S. Labor Department's Consumer Price Index. Menu prices — the food-away-from-home category of the CPI — rose just 2.9 percent on a 12-month, unadjusted basis after rising by 3 percent year-to-year in November and October.

When the industry's 4.4-percent sales increase in December is discounted against the month's 2.9-percent hike in menu prices, the figures suggest that customer traffic rose by 1.3 percent. In November restaurant traffic was up an annual 2.3 percent.

Meanwhile, grocery store prices rose 1.3 percent in December.

Sky Chefs accepts price cuts as part of American deal

ARLINGTON, Texas — Sky Chefs has agreed to reduce prices and submit to a performance evaluation as conditions of a new 10-year contract that the in-flight feeder is negotiating with longtime client American Airlines.

Under the tentative deal, which is projected to earn Sky Chefs \$5 billion over the next decade, the feeder would also cease providing services to American at five locations.

A definitive agreement is expected to be signed in late February.

"Given the state of the airline industry, we are pleased with the fact that we have the opportunity to retain almost all of our business with American Airlines," said Tim Anderson, Sky Chefs' vice president of marketing.

Koras elected to chairman's post at Stevens

CRANBURY, N.J. — William Koras, president and chief executive of Harry M. Stevens Inc., has been elected chairman of the board for the family-owned recreational foodservice company.

Koras, 59, replaces Joseph B. Stevens Jr., grandson of the company's founder and chairman since 1982. Stevens remains a board member.

Koras joined Harry M. Stevens in 1958. When he was elected president in 1982, he became the first non-family member to hold that position.

Founded in 1887, Harry M. Stevens Inc. is regarded as the country's first sports caterer. The company, based here, has

29 accounts nationwide, including Fenway Park in Boston.

Dairy Queen, Texas licensees settle ad dispute

MINNEAPOLIS — Dairy Queen has agreed to allow a group of Texas franchisees to raise and administer their own advertising fund, settling a bitter legal dispute that resulted in four lawsuits.

Under the settlement the Texas Dairy Queen Operators Council, an association of franchisees who collectively own more than 800 units, will also continue to develop and promote Texas Country foods, a proprietary line of hot foods.

"ADQ has long recognized the importance of the more than 800 Texas franchises and the success of the special Texas food menu," said DQ president Mike Sullivan in a statement. "We are pleased that an amicable settlement could be reached that gave recognition to the vital concerns of all involved."

"I think it's a win-win situation for all involved," said William Hall, president of the TDQOC. "We're glad we were able to work this out and move forward."

The dispute stems from a 1986 contract whose language was interpreted by the Texas operators as an attempt to end their tradition of taxing themselves for in-state advertising.

Caprial Pence leaves Fuller's to run a bistro

PORTLAND, Ore. — Caprial Pence, chef de cuisine at the award-winning Fuller's restaurant in the Seattle Sheraton, has resigned to co-own and manage the 32-seat Westmoreland Bistro with her husband, chef John Pence, a veteran of the Seattle restaurant scene himself.

The small restaurant and retail wine shop is located in the Westmoreland area of Portland and had been operated by its creators for five years before the Pences acquired it earlier this month. A spokesman for Fuller's said Pence's position had not yet been filled.

CRA's smoking ban killed by committee

SACRAMENTO, Calif. — The California Restaurant Association's legislative proposal to ban smoking in all public places, including restaurants and bars, has been snuffed out by a legislative committee.

"We're disappointed we didn't get another hearing but will pursue other legislative alternatives after consulting with our legislation committee," CRA spokeswoman Jo-Linda Thompson said.

The CRA sought the ban, citing studies that indicated secondhand smoke poses a danger to non-smokers. Association officials have said they oppose a hodgepodge of local smoking regulations but would support a statewide ban that does not single out restaurants and bars.

Court restores higher garbage cap in New York

NEW YORK — A 7.5-percent reduction in the maximum garbage-hauling fee that can be charged to restaurants and other businesses here has been rescinded by an appellate court, exposing large operations to increased bills and even retroactive charges.

In August the city's Department of Consumer Affairs lowered the ceiling on garbage fees by 7.5 percent, attempting to ease the burden on businesses here. The fees charged by New York's system of private haulers are among the highest in the nation.

But a state appellate court overturned the directive, citing "inconsistent methodologies" in the consumer affairs' reasoning for lowering the cap. In addition, Judge Theodore Kupferman ruled that haulers could apply the higher rate retroactively to Aug. 1.

The consumer affairs department said it plans to repeal the measure.

Martin, 4 other Taco Bell execs, survive jet scare

DALLAS — A landing-gear malfunction aboard the corporate jet carrying Taco Bell president John Martin and four of his senior executives raised fears of a crash landing before the plane touched down safely after circling Dallas for three hours to exhaust fuel.

Martin, senior marketing vice president Tim Ryan, corporate counsel Richard Smith and two unidentified executives had attended a PepsiCo meeting in Dallas. Their plane had just taken off for Phoenix when the Challenger jet's nose gear failed to retract fully and then did not signal that it had locked in place for an emergency landing, the spokesman said. The plane landed without incident after making a low pass over the field to permit a visual confirmation of the gear's apparently normal deployment.

LA Council OKs street vending in special districts

LOS ANGELES — Over the objections of small-business owners fearing neighborhood blight and unfair competition from rent-free peddlers, the City Council voted 11-3 to legalize street vending in specially designated districts of Los Angeles.

The not-yet-drafted ordinance would require petitioning by vendors and merchants to create the special zones, which are expected to include MacArthur Park, downtown Los Angeles and parts of Hollywood.

Supported largely by a growing number of low-income immigrants who rely on peddling for their livelihoods, the plan will establish permit requirements and eliminate current penalties ranging up to six months in jail and a \$1,000 fine.

FINANCIAL NEWS

Pizza Hut franchisee hit by labor, interest costs

by Theresa Howard

WICHITA, Kan. — Stung by an increase in labor and interest expenses, American Restaurant Partners, a 64-unit Pizza Hut franchisee, reported a 77-percent drop in net income, to \$93,380, on a 2.5-percent rise in revenues, to \$8.7 million, for the third quarter ended Sept. 30.

"We experienced double-digit growth in 1990, but that is hard to sustain," said Gene Baldwin, chief financial officer of the limited partnership.

Net income was driven down by a \$67,000 increase in interest expenses stemming

from the construction of three new restaurants, which accounted for the company's slight gain in revenues.

Income was also pared by a \$100,000 rise in labor expenses over the prior-year figure. Baldwin attributed the increase to last April's rise in the federal minimum wage, to \$4.25.

Despite the difficult quarter, however, the company's profits year-to-date are running 12 percent ahead of last year's, with a nine-month tally of \$1.3 million.

The company is expected to

release its full-year results later this month. Baldwin projected that net income, revenues and comparable-store sales would be flat. The company posted a net income of \$158,471 for the fourth-quarter ended Dec. 31, 1990.

Baldwin said the company would post a decline in cash flow for 1991. American Partners disclosed a 58-percent drop in cash flow, to \$238,258, for the first nine months.

In an effort to increase cash reserves, Baldwin (See PIZZA HUT, page 37)

Restaurant companies begin 1992 with burst of activity

by Milford Prewitt

NEW YORK — Several restaurant companies began the new year with a flurry of stock-market activity, including buybacks, new issues and private placements.

Their objectives ranged from reducing debt to increasing working capital to funding renovations to fueling expansion.

Among the active companies:

- Two Pesos, Houston, said it plans to repurchase 200,000 common shares for an indeterminate time at a share price to be set by management. The company said investors have not responded to Two Pesos' improved operating results.

"The decline in the stock

price represents an opportunity for the company to acquire our shares at what we believe is a good value," said Ghulam Bombaywala, president and chief executive officer. The company's share's closed recently at \$1.63.

- Marriott Corp., Bethesda, Md., sold \$200 million in convertible preferred stock to Merrill Lynch and Goldman, Sachs & Co. in connection with an oversubscribed public offering that closed late last year. The shares can be converted to Marriott common stock at \$17.40 a share and can be called by the company after Jan. 15, 1996. The hotelier said the money would be used to repay debt.

- Sandwich Chef, Birmingham, Ala., completed the sale of 140,000 shares of the company's common stock in a private placement. The block was sold to three institutional funds and two of the company's directors for \$9.12 a share. In recent trading, the company's share price closed at \$9.50.

- Cooker Restaurants, Columbus, Ohio, sold 450,000 shares of common stock, at \$25.50 a share, raising \$11.4 million before underwriting fees and expenses. The company said the net proceeds would be used to retire bank debt, finance the development of new restaurants, remodel existing units as well as for general corporate purposes.

FOOD PRICE OUTLOOK

Are rising beef prices just temporary?

by Patt Patterson

The price of beef is moving up again, not much, but a few cents a pound — so far. Industry observers say this is due to poor feedlot conditions in the Midwest and increased consumer demand. This column has often noted that the prices paid by foodservice operators are driven by consumer demand as well as by supply. Both market segments draw from the same supply pipeline. When consumer demand puts pressure on supplies, it affects the operator, too.

Rains and snow in the Midwest have made feedlots muddy, which slows animal growth. Retailers are featuring beef in their weekly specials now that the holidays are over. As a result, the price of beef has moved up a bit. The question is whether

it is a temporary hike or whether it will continue to rise over the long term.

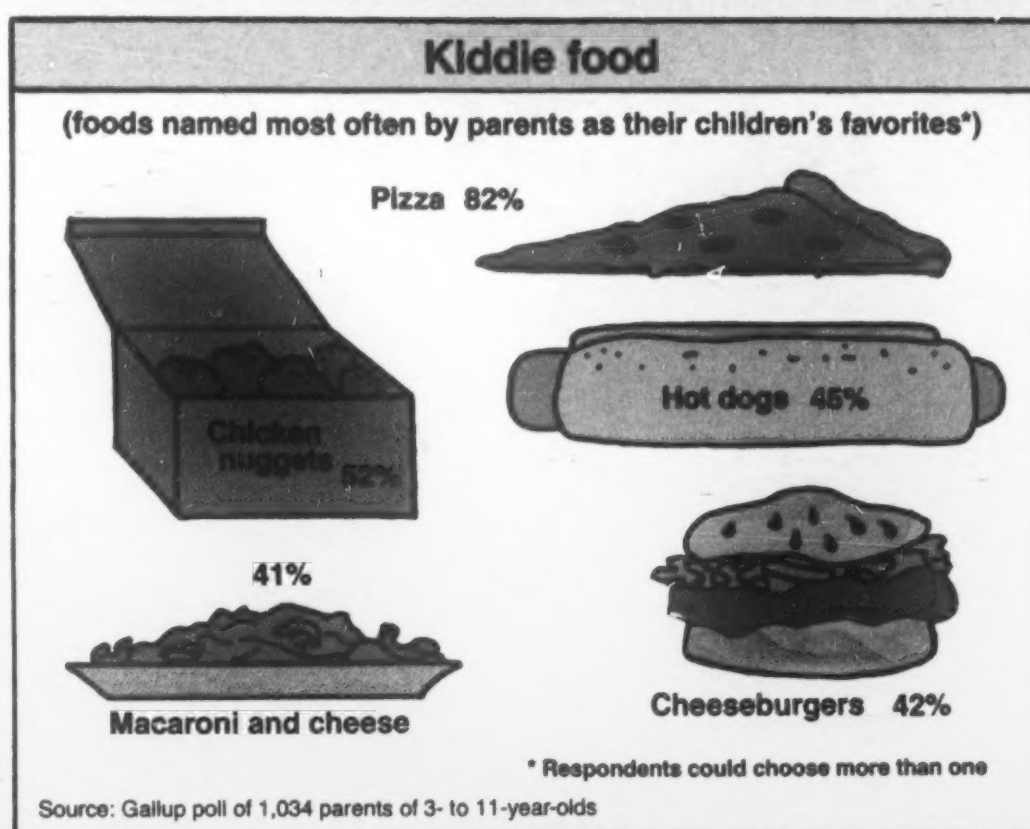
Out on the horizon are some clouds. The price of corn — a major cattle feed — is moving up. Less corn was planted last year — about 2 percent less — but demand for both wheat and corn by the former Soviet republics has also increased, cutting into available domestic supplies and pushing up prices. That could make cattle feeding more expensive, and beef prices would follow.

The good news is that pork and eggs are down, broilers and turkeys are below last year's levels. That could change if feed prices rise sharply. But right now pricing is very favorable for operators.

Frozen cod prices continue high on low imports. Canadian supplies are depleted, and there's no immediate hope of any improvement in catches. If you have catfish on your menu, watch supplies. Many catfish ponds are out of production because of oversupply and low prices for the past couple of years.

Tomato and tomato product prices may move up in the last half of this year. California farmers are indicating their intentions to plant less acreage in processing tomatoes. They were hurt this year by low prices for the second year of bumper crops. It will take a while to work off large packer inventories, but if planting plans don't change, expect prices to be higher by the end of the year.

FACT FILE



FINANCIAL DIGEST

NRN Index starts 1992 with record high

NEW YORK — The NRN Stock Index, the broadest gauge of restaurant stock activity, started the new year by setting a new record, closing at 299.81 — a 45 percent year-over-year valuation gain — for the trading week ended Jan. 3.

On a week-to-week basis, the index was up 9 percent. Investors' hunger for small capitalized stocks drove the index to that level. The same desire has fueled growth in the equity markets for the past two years and has propelled NASDAQ, the giant over-the-counter stock exchange, to several record highs in recent weeks.

Of the 75 restaurant issues on the NRN Index, 45 stocks advanced during the week, 13 declined and 17 were unchanged.

Some of the big percentage gainers among restaurant issues were Ground Round Restaurants, up 35 percent, to \$5.75 a share; WSMP Inc., up 29 percent, to \$5.50; Applebee's International, up 12 percent, to \$15.75 a share; and Ryan's Family Steakhouses, up 15 percent, to \$9.50.

Restaurants give Morrison a profit hike

MOBILE, Ala. — Strong operating earnings from two restaurant divisions boosted Morrison Inc.'s net income by 20 percent, to \$8.9 million, for the second quarter ended Nov. 30.

Revenues for the diversified foodservice company rose 6 percent, to \$260 million, for the three-month period. Those at the half-year mark measured 6 percent above the year ago tally, at \$502 million.

Net income for the six-month period was \$14.6 million, up nearly 19 percent.

Operating earnings for the company's Ruby Tuesday and Silver Spoon restaurants were well ahead of last year's figures, while L & N Seafood Grills, a higher-ticket restaurant, turned in lower results because of the recession, company officials said.

Morrison's opened 13 new specialty restaurants during the quarter. The company now operates 147 Ruby Tuesdays, 36 L & N Seafood Grills, 15 Silver Spoons, 801 Morrison's Custom Management contracts and 168 cafeterias.

Sonic Corp.'s 1st-Q net income soars

OKLAHOMA CITY — Offsetting increased advertising and labor expenses, Sonic Corp. said its net income zoomed to \$1.5 million in the first quarter ended Nov. 30, for a 139 percent year-over-year gain.

The company said it benefited from a 2.7-percent increase in menu prices and lower corporate overhead. In addition, revenues climbed 23 percent, to \$115.2 million. Sonic attributed the revenue growth to a 6-percent gain in same-store sales and the addition of 10 new restaurants.

Systemwide sales were up 14 percent, to \$139 million.

Meanwhile, the company said it has entered an agreement with a major shareholder, allowing the sale of 300,000 shares of stock within 60 days of the filing of a registration statement with the Securities and Exchange Commission. Sonic said the agreement would cover about 663,657 shares of its stock.

Good Times loses \$290,000 in F '91

BOULDER, Colo. — Good Times Restaurants, a four-unit double-drive-thru burger chain, said its losses narrowed for the year ended Sept. 30, to \$290,000, on a 26-percent hike in revenues, to \$2 million.

A year ago the company lost \$425,000.

"We are very pleased with our positive sales trends and reduced net loss," said E. Edwin Massey, president and chief executive. "On an individual basis each Good Times restaurant is doing extremely well. The net loss is attributed to overhead incurred at the corporate level."

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SECOND CLASS

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In the Wynkoop Brewing Co. storage room are chef Mark Schiffler, left, and co-owners John Hickenlooper, Barbara and Russell Schehrer, Martha Williams, holding son, Joe, and Jerry Williams.

NRA mobilizes rank and file to kill FICA tax

Grass-roots effort marks start of election year lobbying push

by Peter Romeo

TUCSON, Ariz. — The National Restaurant Association is mounting a grass-roots campaign to repeal the Social Security taxes that operators are assessed for servers' tips, raising hopes for a major cut in the labor expenses of full-service restaurants.

The push is part of a larger effort by the NRA to intensify the industry's lobbying efforts in coming months, when Congress and the White House will be churning out proposals in anticipation of the November elections. Association officials expect politicians to court voters and campaign contributors by promoting a number of measures that could hurt or benefit the foodservice business.

The group's lobbying forces have been "challenged to crank it up a notch in 1992 because this is such a pivotal year," Herman Cain, chairman of the NRA's Government Affairs Committee, told fellow directors during the association's recent board meeting here. "It can be a year of monumental opportunities or a year of great danger, depending on how it goes."

Cain said that the associa-

tion would focus its lobbying efforts on several concerns, including the drive by Democrats to have restaurants and other businesses pay for universal health-insurance coverage.

But he and other directors made it clear that the board regards the repeal of the tip taxes — commonly known as FICA — as its major lobbying crusade of 1992.

"We must win this, we can win this and we will win this," declared Dick Cregar, chairman of the State Relations Committee, which is orchestrating the grass-roots push for repeal. The committee has been given \$140,000 to underwrite a letter-writing- and- telephone-lobbying blitz by the association's rank-and-file members.

The NRA's Political Action Committee is also using its funds to promote repeal. Among the 53 political candidates who have received a total of \$101,000 in campaign contributions from the PAC are several congressmen and senators who have been selected specifically because of their stand on FICA.

"We invested some of our (See NRA, page 51)

And then there were three: Brewpubs face off in Denver

by Alan Liddle

DENVER — A savage sud-style showdown could be brewing in the Mile-high City as the recent openings of two large brewery restaurants here push the total to three.

After ruling the roost for nearly three years, Wynkoop Brewing Co., a specialist in English ales, German drafts and

American pub cuisine, suddenly finds itself facing off against newcomers Champion Brewing Co., a 250-seat sports bar and restaurant serving comfort foods, and the Rock Bottom Brewery, a 265-seat venture with an eclectic menu and Americanized ales.

Nevertheless, operators scoff at the suggestion of a fresh-

beer brouhaha, claiming that individual positioning and the size of the market will help them avert a competitive high noon.

"I think there is enough room for all of us because our menus and the look of each restaurant are different," said Randy Rutherford, who created (See BREWPUBS, page 51)

NRN to focus on Disney Co. for '92 study

by Jack Hayes

BURBANK, Calif. — The Walt Disney Co., a pioneer and innovator in the world of entertainment, theme parks and consumer products, will be the subject of Nation's Restaurant News' 1992 company profile.

The Nov. 23 issue of NRN will feature an in-depth look at the giant feeding operations at Disneyland in Anaheim, Calif., Walt Disney World in Orlando, Fla., Tokyo Disneyland and Euro-Disneyland — now in the (See DISNEY, page 50)

INSIDE

NY's Oyster Bar: Home of American white wines

Mort Hochstein/Page 15

Real-estate sales: The Northeast land rush is on

NRN Editorial/Page 23

It's Bon Appetit for Stanford students

Segment Study/Pages 27-34

Calif. operators muster forces against health-insurance push

by Alan Liddle

SACRAMENTO, Calif. — California's restaurateurs and other employers are readying defenses for a two-front assault — a ballot initiative and legislation — aimed at forcing business to pay most of the costs of extending health-insurance coverage.

The activity in California comes during an election year when lawmakers in other statehouses and Washington are also addressing health-care reform, mindful that the idea has struck a chord with voters.

Summing up the situation, Jackie Trujillo, chair of the National Restaurant Association's mandated benefits task force, recently declared, "The issue of health care has exploded."

California's latest workplace controversy centers around the California Medical Association's efforts to qualify an initiative for the November ballot.

The ballot measure, unveiled late last month, would obligate employers to pay 75 percent of "basic" health insur-

ance premiums for all full-time workers and their dependents beginning in 1994.

Two prominent state lawmakers — assembly speaker Willie Brown, D-San Francisco, and Senate minority leader Kenneth Maddy, R-Fresno — disclosed the same day that they would co-sponsor legislation to put a similar mandate on the books.

Both plans drew sharp criticism from the California Restaurant Association. The indus- (See CALIFORNIA, page 4)

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February 3, 1992

NEWS BRIEFS

Pizza Hut eyes purchase of PMI to end dispute

SAN ANTONIO — Pizza Hut said it may purchase its largest privately held franchise, 240-unit Pizza Management Inc., to end a long-standing legal battle with the operation's owner, Arturo Torres.

In 1986 Torres sued Pizza Hut for refusing to allow him to take his company public. Pizza Hut countersued, seeking to oust PMI from the system.

The dispute has since grown more bitter. Torres, a Cuban-American, has run ads that accuse Pizza Hut's parent company, PepsiCo, of being biased against him. The accusations captured the attention of the Hispanic Congressional Caucus and Hispanic activist groups, some of whom were in the early stages of planning a Hispanic boycott against PepsiCo.

"The parties are actively engaged in discussions," said Torres' attorney, Larry Klenda.

Pizza Hut said it was looking for an amicable solution, either through the purchase of PMI or some other means.

Calif. Supreme Court overturns bone injury law

SAN FRANCISCO — Ruling that a man can sue a restaurant for injuries caused by a 1-inch bone in a chicken enchilada, the California Supreme Court has overturned a 55-year-old doctrine protecting the state's food-service industry from claims involving "naturally occurring" substances in dishes.

Five other states have legal standards similar to the one that was struck down in California. Most of them have already expanded restaurants' potential liability for objects found in their food.

In the California decision chief justice Malcolm M. Lucas wrote that it is reasonable for customers to expect restaurants to exercise care in preparations "so that any natural substances contained in the food will not be either of such size, shape or quantity to cause injury when consumed."

However, the 4-3 majority opinion held that a plaintiff must still prove negligence to collect damages. The three dissenting justices, favoring a more sweeping reversal of the court's old "chicken-bone" doctrine, argued that strict liability should apply in cases of "natural" substances, the same as in those involving foreign articles like glass or wire.

Denny's ceases payment practices that sparked furor

SAN JOSE, CALIF. — Responding to angry protests and the threat of lawsuits by African-Americans, Denny's has agreed to drop a late-night minimum charge at a number of restaurants nationwide and

halt at least temporarily a pay-when-you-order policy for large groups that patronize units here during the evening and early morning.

Denny's chief operating officer, Bernard Scott, was the center of considerable media attention recently when he visited San Jose to meet with the National Association for the Advancement of Colored People and the Public Interest Law Group. Those two organizations represent a group of 18 black teen-agers who allege they were the victims of racial discrimination in December when they were asked to pay for their food when they ordered it.

Denny's officials have said they are looking into the incident at the San Jose restaurant and will take action if they discover any improprieties. They explained that some restaurants instituted a pay-when-you-order policy because of incidents where customers bolted without paying for what they ate.

According to the San Jose Mercury News, Scott agreed to consider dropping the pay-when-you-order policy at about 30 other restaurants and would consider compensating the black youths and making a contribution to the NAACP. The San Jose newspaper said Scott had indicated that the family restaurant chain would also make sure the term "black out," which some current and past employees contend was used to describe times when a large number of blacks entered restaurants, would never be used and would consider enrolling employees in "sensitivity" training.

Cain put in line for NRA prexy post

TUCSON, Ariz. — Herman Cain, chief executive of Godfather's Pizza, has been selected to serve as the 1992-93 treasurer of the National Restaurant Association, putting him in line to become president of the association in 1994.

Cain would be the first African-American to head the organization, which will celebrate its 75th anniversary in 1994.

At the NRA's recent board meeting here, Richard Marriott, vice chairman of Marriott Corp., was named NRA's president for 1992-93, and Steve Elmont, chairman of Creative Gourmet, a Boston-based contract feeder, was selected as vice president. Marriott was previously vice president, and Elmont was treasurer.

Under the NRA's rules of succession, Elmont will serve as president for 1993-94.

All three officers will assume their new one-year posts at the NRA's board meeting in Chicago in May.

Bombaywala group buys 5% stake in Stop N Go

HOUSTON — Ghulum Bombaywala, chairman and president of Two Pesos, has teamed up with an investment banking firm to purchase 1.1 million shares in National Conve-

nience Stores, the bankrupt operator of the Stop N Go convenience-store chain, for about \$1 million.

The purchase gives the partnership a 5-percent stake in the 250-unit chain.

Snow files Ch. 11 for Vegas center

LAS VEGAS — Bob Snow, the antique collector cum developer, has sought Chapter 11 bankruptcy protection for his Main Street Station hotel-restaurant-casino complex here, just four months after the \$82 million facility opened.

In a filing in the federal bankruptcy court here, Snow listed liabilities of \$46 million. He said he could not list assets until property appraisals had been complete.

Snow, who is perhaps better known for the Church St. Station complex in Orlando, Fla., from which he drew the inspiration for the Main Street project, told the court that three of the four restaurants in Main Street Station have been closed, forcing 225 people out of work.

Meanwhile, The Las Vegas Sun reported that Main Street Station was imperiled from the beginning, opening in a location far from the busy casino strip. The paper said prices at the complex's restaurants were five times higher than the charges of downtown locations.

Chicago operator files lawsuit to end special tax

CHICAGO — John Davis, owner of Geja's Cafe and Montana Street Cafe here, has filed suit in Cook County Circuit Court, seeking to prevent a 1-percent sales tax increase applying only to lakefront district restaurants.

The Illinois Legislature authorized the tax last September to help fund expansion of McCormick Place. The tax would apply only to restaurants located within a newly created district along the lakefront within a few miles of the exposition center as well as to restaurants at Midway and O'Hare airports.

Davis commented that the tax is unfair and puts restaurants in the district at a competitive disadvantage. He also argues that conventioners are not likely to patronize the district's "ma-and-pa" restaurants, such as his.

Taco Time rolls vegetarian item

EUGENE, Ore. — Choosing to menu new items as an alternative to deep discounting in the hotly contested quick-service Mexican segment, 277-unit Taco Time International is rolling out a vegetarian burrito.

Called the Veggie Burrito, the new 10.7-ounce item is made with a whole-wheat tortilla, animal-fat-free refried pinto beans, brown rice, shredded Cheddar, sunflower seeds, salsa and sour cream.

A spokeswoman said the new product has an introductory price of \$1.69.

FINANCIAL NEWS

Economy stalls hopes for turnaround at Uno

by Peter O. Keegan

BOSTON — Although menu and operational changes sliced Uno Corp.'s profits for the first quarter, the parent of Pizzeria Uno is wagering that the adjustments will bring a rebound in profits once the Northeastern economy turns around.

The company's hopes for greater profitability went unfulfilled in late 1991, reflecting the sluggish consumer spending that stalled an economic recovery for Pizzeria Uno's core markets. For the 12 weeks ended Dec. 29, Uno's net income decreased 14 percent, to \$870,000, on a revenue increase of 18 percent, to \$19.7 million.

Cost of sales increased year-over-year by 19 percent, to \$4.4 million, while operating expenses rose 26 percent, to \$10 million. The company cited higher food and labor costs resulting from the addition of several menu items, which Uno hopes will bring a payoff in the long run.

Although a tough economic climate continued to batter same-store sales during the most recent quarter, the three-month period ended with an upswing. According to chief financial officer Robert Brown, per-store sales rose .3 percent in December and continued to grow in January, holding the downturn for the whole quarter to 1 percent. Same-store sales for the last quarter of 1991 were down 2.2 percent.

"There has been a number of factors that have contributed to same-store sales weaknesses, but the most overriding factor is the severity of the recession in the Northeast," Brown said. "But we are making gradual, persistent progress."

The company's latest revenue enhancer, a retail division

called Uno Foods Inc., saw retail sales jump a whopping 85 percent, to \$720,000, for the quarter. The operation sells frozen pizzas to more than 200 supermarkets in the Northeast and is continuing to grow.

After five quarters of disappointing results, analysts believe that the company will rebound in 1992 along with the economy.

"They are slowly coming out of it," said Sam Talbot, an analyst with Boston-based Growth Stock Services. "They have to go up eventually, but they have to watch the menu and make sure they are stressing value."

Uno is attempting to improve perceived value and boost margins by adding additional Italian items to complement its signature deep-dish pizza.

Last September the company rolled out pasta dishes, flat pizzas called plizzettas and a new dessert menu. Its goal was to cut operational costs and push the per-person check up to \$8.50. Brown said they are currently hovering around \$8.35.

Brown said the company plans to add six new varieties of the plizzettas to expand the array to 12.

In another move, the company is changing the size of its Chicago-style deep-dish pizzas to 10 inches and 7 inches, from 9 inches and 6 inches, respectively. The value-enhancing step has already been taken in half of Uno's units, and the other stores will follow suit in the next few months, Brown said.

"They moved away from broad-based American fare — like salads, burgers, chicken and ribs," pointed out Dave Geraty, an analyst with Equitable Securities Corp.

Geraty added that the popularity of Italian fare and its

low food costs make it a plus for the balance sheet. "The flip side to that is as they move into the highly competitive Northeast, they must be an outstanding leader in the Italian segment."

"The training and extra labor needed to implement the menu changes have added more complication to the back of the house," said Brown, who added that new stores and a new ad campaign also attributed to higher operational costs. "A lot of it is investment in the future, and we are seeing a gradual improvement."

Other changes that the company hopes will strengthen its balance sheet will be the opening of more company-owned stores, with eventually the 60-percent-franchised and 40-percent-company-owned figure becoming equally split.

Most analysts said they are looking for steady improvement this year. They noted that numbers will look better next year because of easier comparisons.

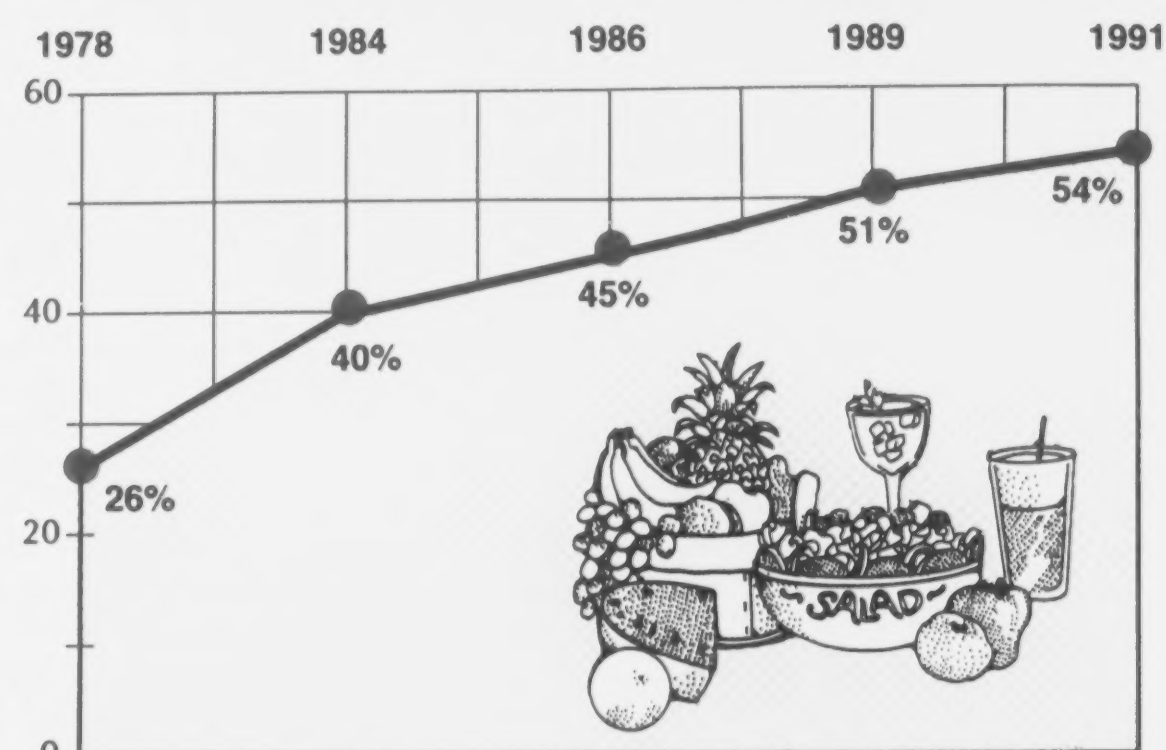
"We're looking for operating earnings to be up next quarter," said Geraty, who expects a 30-percent growth in sales and revenues for 1992.

The company has projected a 28-percent increase in revenues for 1992, to \$91.2 million, on a 25-percent increase in systemwide sales, to \$169 million. They have 10 new company-owned units and 10 franchised units slated to open this year.

The retail division took in \$2 million in revenues in 1991 and is expected to grow to more than \$3 million in 1992. Brown said the current production facilities will hit their capacity when revenues top \$3.5 million. At that point the company will begin looking for alternate facilities.

FACT FILE

Low calories, high popularity
(percentage of adults who consume low-calorie foods and beverages)



Source: Calorie Control Council, 1991 poll of 1,511 people

FINANCIAL DIGEST

Restaurant stocks keep soaring

NEW YORK — The NRN Stock Index set a record high for the second time in as many weeks, this time breaking the 300-point barrier to close the week of Jan. 10 at 309.85.

The rally was boosted by investors' hunger for small capitalized stocks and the continuing defection from interest-bearing investments. Those factors also lifted NASDAQ — the small-cap stock exchange where most restaurant securities are traded — to record highs the first two weeks of the new year.

Restaurant stocks that soared during the week were Family Steak Houses, up 50 percent, to \$1.13; Koo Koo Roo, up 30 percent, to \$3.25; Uno Restaurants, up 20 percent, to \$13.38; and TCBY, up 20 percent, to \$6.75.

TCBY's profits fall 60% in F 91

LITTLE ROCK, Ark. — TCBY said its net income fell 60 percent in its fiscal year ended Nov. 30, to \$8 million, while revenues declined 14 percent, to \$128.9 million.

The company said the drop in revenues was due to a decline in sales and franchising revenues, both of which were linked to a decrease in new store development. Equipment sales and franchisee fees declined \$20.6 million from the year-ago level.

TCBY said its results were also affected by a \$5.2 million increase in selling and general and administrative expenses. TCBY said G & A expenses rose mainly as a result of having more company-operated units.

As part of an effort to reduce expenses, TCBY began a restructuring and consolidation. For the last three months of the year, revenues fell 7 percent, to \$25.1 million.

The company reported a quarterly loss of \$1.4 million. In the like period a year ago, TCBY posted a \$400,000 profit.

At the end of the year, the chain operated 1,850 units, of which 1,574 were franchised.

Hilton Hotels post 8% annual profit gain

BEVERLY HILLS, Calif. — Despite lower occupancy rates and flat room charges, Hilton Hotels said net income jumped 8 percent for the year ended Dec. 31, to \$29.6 million.

Revenues fell 13 percent, to \$283.5 million.

Barron Hilton, chairman and president, said last year presented an assortment of adverse competitive circumstances.

"In addition to the Persian Gulf crisis, the continuing recession and an overbuilt industry have had a severe impact on our operations," Hilton said in a statement. "Occupancy levels were lower than in the prior year, and average room rates remained unchanged."

The hotel said one reason it ended the year with improved profit had to do with a decline in the company's effective corporate tax rate, which fell from 34.2 percent to 26 percent year-over-year.

WSMP paints out red with black in 3rd Q

CLAREMONT, N.C. — WSMP Inc., operators of the Western Steer Family Steakhouse chain, overcame a year-ago loss of \$483,000, to post a \$316,000 profit in the third quarter ended Nov. 1.

Revenues rose 12 percent, to \$15.9 million.

The company has stated that the year-ago loss was related to the closing of 11 unprofitable restaurants and related tax charges of \$256,000.

For the nine-months, year-to-date, WSMP posted net income of \$502,000, compared with a year-ago loss of \$1.1 million. Revenues were up 9 percent, to \$47.1 million.

WSMP operates 29 of the 131 Western Steer Family Steakhouse chain. It also operates nine Prime Sirloin Steak & Seafood restaurants.

FOOD PRICE OUTLOOK

January storms push up pork prices

by Patt Patterson

Pork prices rose in mid-January as heavy storms in the Midwest slowed hog slaughter. Many farmers were unable to ship hogs to market as the result of bad weather. Demand for red meats has been on the upswing since the holidays, and reduced supplies quickly lifted prices. There are more hogs on the farms than there were last year at this time, so as weather improves, release of the pent-up supply should push prices back down to their beginning-of-year levels.

Chilean fruit, which was subjected to heavy rains in early December and to a disastrous freeze last year, is arriving in good quality and at normal pricing. Reason: the growers down

there had a large amount of new acreage coming into production this year, and that helped make up for losses which were as high as 30 percent for fruits in some areas. Red and ruby seedless grapes may be in tight supply in March and April, but most other fruits should be available in normal quantities and at usual prices.

Free from freezes so far, Florida orange producers are predicting larger harvests than the U.S. Department of Agriculture posted in earlier forecasts. And frozen orange juice concentrate processors report higher yield. The danger period for freezes is nearly over, and if prolonged cold weather holds off this year, prices on concentrate

and juice made from concentrate should ease by spring.

The California Iceberg Lettuce Commission is under attack by dissident shippers who want the commodity group abolished. A referendum is mandated every five years by state regulations. Most of the opposition is larger shippers who have brand identity programs of their own for which they would like to keep the money now paid as assessments to the commission, which runs promotions with a number of the industry's chains. Many smaller handlers want the group's generic lettuce promotions to continue, because they can't afford ad and promotion programs for themselves.

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Budget cuts prompt schools to recruit contractors

by Robin Lee Allen

NEW YORK — Contract feeders are getting back to the elementary and heading toward the classroom as shrinking education budgets rewrite the ABCs of school foodservice.

Though school foodservice operations were once an exclusively self-operated segment, many are now up for bid as budget cuts force school boards to reduce expenditures without compromising education.

"Most states are having financial problems to one degree or another, and certainly this puts the Department of Education under scrutiny," said Chuck Bryden, vice president of sales and marketing for Canteen Corp. "It gives all of us the opportunity to serve a good meal at lower costs."

By hiring contractors, school boards free themselves of the management concerns and paper work for peripheral but necessary school services, like foodservice, busing and custodial operations. They also reduce labor and supply costs that drain educational funds and increase revenues if student participation in meal programs grows.

"As school administrations and boards have more and more pressure to improve education, they are looking for ways to sort of delegate or farm out their auxiliary functions," said Harold E. Schlenker, president of Marriott School Services. "It allows them to get it off their backs and spend more time on the task at hand, and that is educating the students."

While most school districts (See *SCHOOLS*, page 81)



NRN Photo

Principal owner Jean Denoyer at the Supper Club.

Supper clubs make comeback in NYC

by Theresa Howard

NEW YORK — East Side, West Side, all around the town, restaurateurs here are singing the praises of live entertainment as a way of luring recession-weary customers into their operations.

Whether they're showcasing jazz, pop, swing or Broadway show tunes, operations like Tatou, Supper Club, Laura Belle and Country Club are finding that song and dance can be a great accompaniment to

their dinner or late-night supper menus.

"With this economy, people need to go out and forget all the misery," said Alain Michel, general manager of Maxim's and L'Omnibus restaurants, which feature a five-piece dinner orchestra and cabaret, respectively. "People have to wake up, have fun and forget about their troubles."

(See *SUPPER*, page 81)

KFC to realign management, cut 250 jobs

Aims to streamline middle ranks, shift power to units after 4Q dive

by Peter O. Keegan

LOUISVILLE, Ky. — In an effort to cut overhead costs and improve operations after a disastrous fourth quarter and disappointing year, Kentucky Fried Chicken is planning on trimming its management payroll.

Final details of the downsizing are still pending, but a KFC spokesman said the company's management restructuring strategy will eliminate approximately 250 of the company's 1,500 management positions.

The layoffs and subsequent management consolidation, which will affect all levels of management at corporate headquarters and in the field, will take place sometime in March.

For the fourth quarter, KFC took a \$34 million write-down for the restructuring. In a prepared release, PepsiCo stated that the charge would be used to streamline operations, including the elimination of certain positions, the relocating of personnel and the closing of offices.

KFC's fourth quarter and year-end reportings reflected dashed hopes of what a year ago looked like the beginning of a turnaround. For the fourth quarter, ended Dec. 28, profits declined 33 percent, excluding the write-down, on a 19-percent sales growth, to \$570 million.

Including the restructuring charge, profits fell \$10.9 million, a 132-percent drop when compared with last year's gain of \$34.3 million.

Full-year profits, excluding unusual charges, declined 6 percent on a 10-percent sales gain. For the year reported profits fell 37 percent. Same-store sales were flat for the year and down 7 percent for the quarter.

"The company said that it's



been a weak fourth quarter, but basically they've gone over a cliff," said Robert Cummins, an analyst with Wertheim Schroder in New York. "KFC was more affected by the recession than other fast feeders because units are skewed toward blue-collar workers and minorities, who are victims of layoffs and a depressed economy."

In addition to saving much-needed money, the KFC cuts will reflect PepsiCo's ideology that mandates unit manager empowerment, which brings more hands-on management (See *KFC*, page 4)

Investment group member named Boston Chicken prexy

by Peter O. Keegan

BOSTON — Following a partnership agreement that gave a group of Blockbuster video executives a piece of New Boston Chicken Inc. for an initial \$4 million in cash, industry veteran Jeff Shearer has replaced Charles Cocotas as Boston Chicken president and chief operating officer.

Shearer, formerly a senior vice president of S & A Restau-

rant Corp., left an executive post at Blockbuster to join the investment group with eight other former colleagues to buy into the rotisserie-based chicken chain. The deal, which could lead to the investment group's control of the company, calls for the group to pump \$23.5 million into Boston Chicken over the next three years.

Cocotas will be staying on

for 18 months as a consultant.

In addition to Shearer, former Blockbuster senior vice president Saad Nadhir has been named vice chairman of the company. Founder George Nadaff remains chairman.

After an initial investment of \$4 million, the group plans to infuse about \$5 million every nine months, gaining more (See *BOSTON*, page 80)

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NEWS BRIEFS

Cash exits Marriott; Shaw named president of Service Group

WASHINGTON — Francis W. "Butch" Cash, president of the Marriott Service Group and an executive vice president of Marriott Corp., has resigned to pursue executive opportunities outside the company, a spokesman said.

Marriott chief financial officer William J. Shaw — an 18-year Marriott veteran — replaces Cash immediately.

Cash, who had been with the hospitality conglomerate for 18 years, oversaw Marriott Management Services, the company's non-commercial arm that included Host International, Travel Plazas and Senior Living Services. The group generated 1991 sales of \$3.9 billion.

According to Marriott's communications vice president Terry Souers, Cash left to seek a position that encompassed "broader responsibilities."

Stephen Bollenbach, who most recently served as chief financial officer for the Trump Organization, will succeed Shaw.

In other news Irvine, Calif.-based Restaurant Enterprises Group Inc., owner of El Torito, CoCo's, Casa Gallardo, Carrows, Reuben's and other chains, completed its \$66 million buyout of Marriott Corp.'s 107 Bob's Big Boy and Allie's restaurants in California.

REGI president Norman N. Habermann said the acquired units, which scored 1991 sales exceeding \$100 million, will be converted to the California-based CoCo's and Carrows family-restaurant concepts over the next three years.

Bush health plan shuns 'play or pay' for tax credits

CLEVELAND — President Bush has unveiled his long awaited health-care reform plan. Bush said the plan, which is expected to cost \$100 billion, would cut medical costs and guarantee access to care without resorting to the mandated "play or pay" insurance incentives that are feared by employers.

Described by the White House as a "free-market" alternative to proposed Democratic reforms, the Bush plan is based on a system of vouchers and tax credits that would provide up to \$3,750 for the health insurance costs of poor or middle-income families and lesser amounts for higher incomes.

Bush offered no specifics about the full funding for his plan, which would cut federal Medicaid reimbursements by about \$35 billion over five years.

Play or pay plans, favored by such Democratic candidates as Paul Tsongas and Gov. Bill Clinton, require employers to pay either for employee premiums or extra payroll taxes. Sen. Bob Kerrey, a restaurateur, fa-

vors scrapping Medicaid and Medicare for a Canadian-style national system fully funded by taxes.

Sizzler taps ex-ad man as new prexy, moves ad account

LOS ANGELES — Sizzler International Inc. has named J. Hugh Duncan, a land developer and former advertising agency president, as president and chief operating officer of its 635-unit domestic restaurant system.

Duncan, who was president of the Duncan Co. development firm and, before that, Foote, Cone & Belding/Los Angeles, reports to Sizzler chief executive Richard Birmingham and succeeds longtime Sizzler president Thomas Gregory, who announced his retirement last year.

In the same week the operator and franchisor of the Sizzler chain awarded its \$30 million advertising account to Dailey & Associates, the Los Angeles agency founded by Peter H. Dailey, a newly elected Sizzler director.

Dailey, a Reagan appointee who served as ambassador to Ireland, severed his ties to the agency in 1988. BBDO/Los Angeles was formerly Sizzler's ad agency.

Ch. 11 judge sets Feb. 28 deadline for Copeland deal

AUSTIN, Texas — A bankruptcy court judge here has given Al Copeland Enterprises and its creditors until Feb. 28 to finalize a plan that is expected to oust founder Al Copeland and turn control of the chicken-chain franchisor over to Merrill Lynch & Co.

Copeland Enterprises, the owner of Popeyes and Church's, filed for Chapter 11 bankruptcy protection last April because of a \$279 million debt from its 1989 Church's buyout. Since the filing Al Copeland, Merrill Lynch and a group led by the Canadian Imperial Bank of Commerce have been hammering out details of a tentative deal that would call for Copeland to relinquish ownership of the chain in exchange for \$31 million.

Insiders say the deal has stalled over Copeland's bid to retain ownership of Diversified Foods and Seasonings, a company that netted \$2 million last year from sales of spice, rice and other goods to the Copeland restaurants.

Nat'l Guard crash kills 16 at Jojo's, Drury Inn in Ind.

EVANSVILLE, Ind. — A Kentucky National Guard C-130 transport plane on a training flight crashed into the Jojo's restaurant and Drury Inn motel here, killing at least 16 people.

Among the dead were the plane's five crew members, nine

people in the hotel and two Jojo's employees who were unable to flee with others before the fallen plane exploded, destroying the restaurant.

Drury Inn's senior managers were "on the scene and doing everything possible to help the guests who were at the hotel," spokeswoman Linda McCombs said following the late-morning crash on Feb. 6. She said the heavily damaged structure would be closed indefinitely for repairs.

Officials of Jojo's, a chain owned by Restaurant Enterprises Group in Irvine, Calif., said it expects to rebuild the coffee shop. Barry Krantz, president of the company's family-restaurant group, said crisis counselors were sent to meet with the surviving Jojo's employees.

Pizza Hut vice president quits, buys 31 units

NEW ORLEANS — Pizza Hut has sold 31 company-owned restaurants here to Larry Lundy, a vice president of the chain who has resigned to become a franchisee.

Lundy, formerly Pizza Hut's vice president of restaurant development, is estimated to have paid between \$6 million and \$12 million in cash for the restaurants, whose annual sales reportedly total \$25 million.

Pizza Hut's deal with the newly formed Lundy Enterprises occurs at a time when the Wichita, Kan.-based chain is said to be pursuing the acquisition of a 200-unit franchisee in Texas. Pizza Hut recently bought out a 58-unit franchisee in Florida.

Coulter, Creative team to take Lone Star chain public

WICHITA, Kan. — Coulter Enterprises has teamed up with Creative Culinary Concepts, founder of the high-grossing Lone Star Steakhouse & Saloon restaurants, to form a new partnership that is taking the mid-scale chain public.

Dubbed Lone Star Steakhouse & Saloon Inc., the eight-unit company filed for an initial public offering of 1.15 million shares that are expected to fetch about \$11.3 million.

Creative and Coulter will each retain about a 40-percent stake in Lone Star, a concept originated by Creative about six years ago under the name Chisolms. Coulter president Jamie Coulter, whose Wichita-based company became a four-unit Lone Star franchisee last year, will head the new company as chairman and chief executive.

Coulter, a leading Pizza Hut and Sonic franchisee, and Creative Culinary, based in Charlotte, N.C., will each merge four steak houses into the new company. Creative, independent of the new partnership, will continue to operate six other branches of the steak chain, whose average unit is said to gross \$2.7 million a year from per-person checks averaging \$17.50.

FINANCIAL NEWS

McD posts 7% net gain, stops slide in U.S. sales

by Alan Liddle

OAK BROOK, Ill. — After suffering a long decline in sales at domestic units, McDonald's managed to reverse the trend during the last quarter of 1991, pushing U.S. sales for the full year about 2 percent above the figure for 1990.

However, that improvement still lagged far behind the chain's gains overseas, where units enjoyed a collective 14-percent jump in intake.

That surge enabled McDonald's to eke out a 1-percent year-to-year rise in revenues for 1991, to \$6.7 billion. Net profits grew by a more robust 7 percent, to \$859.6 million.

Results for the fourth quarter indicate that McDonald's ended 1991 on the upswing. Revenues rose by 2 percent, to \$1.73 billion, yielding an 8-percent improvement in net earnings, to \$200.4 million.

Systemwide sales expanded by 7 percent, to \$5.2 billion, for the quarter and by 6 percent, to \$19.9 billion, for the year, the company disclosed.

Company officials attributed the systemwide-sales gains to expansion and higher sales at restaurants outside the United States.

On the domestic front, where McDonald's has been weak for several quarters, higher sales and margins contributed to a 3-percent rise in operating income for the fourth quarter.

For the year, McDonald's said, U.S. operating income grew 1.4 percent, to \$1 billion.

Analysts attributed the chain's strong domestic finish to McDonald's new emphasis on value.

"They have promoted a value menu, and I think they have succeeded in convincing most people that McDonald's does offer some lower-priced items," commented Michael Mueller, restaurant analyst for Montgomery Securities in San Francisco.

Mueller, who estimated the gain in same-store sales at



A typical McDonald's unit.

Company officials attributed the systemwide-sales gains to expansion and higher sales at restaurants outside the U.S.

1.5 percent for the fourth quarter, also cited the addition of a chicken fajitas and a breakfast burrito.

"It helped improve the perception in consumers' minds that McDonald's isn't just a place to go for burgers and fries," the analyst remarked.

However, Mueller cautioned that it is too early to conclude that McDonald's has solved its domestic problems. The fourth-quarter upturn was "definitely aided by easy comparisons and lower food costs, the good weather in December, the timing of the holidays and the success of the Indiana Jones videotape promotion," he explained.

Joseph J. Doyle, managing partner at Smith Barney Inc., New York, agreed.

"To say that the weakness in the U.S. has ended would defi-

nately be a premature statement," Doyle said. "I don't want to take potshots and explain away the quarter. On the other hand, I'm not jumping for joy. 'Encouraged' is probably the best way to describe my feelings."

McDonald's noted that U.S. revenues were pared by the sale of company-run restaurants to franchisees. However, the wheeling and dealing aided profits, it said.

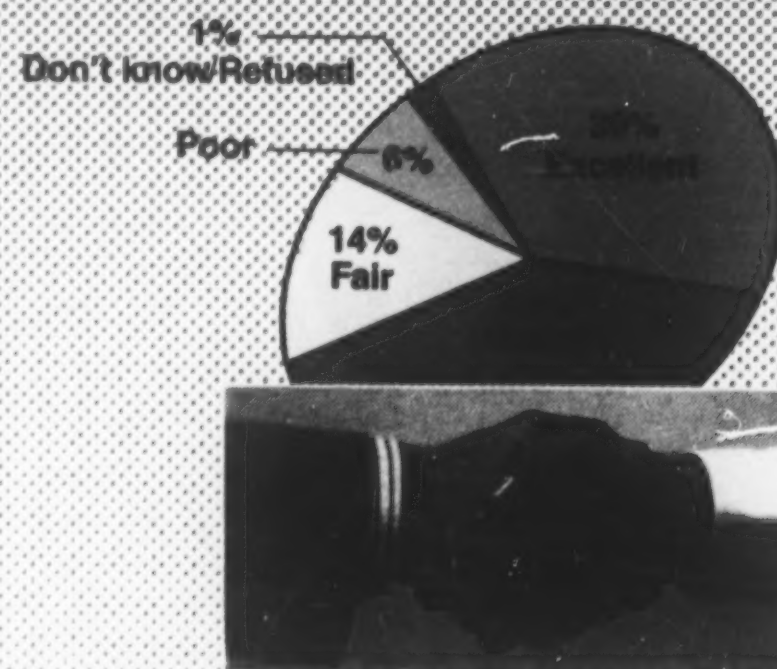
As a result of those sales, the number of company units in the United States shrank by a net of 186 units — or 11 percent — to 1,446 in 1991.

McDonald's, which sold 119 restaurants to franchisees in 1990, has said it wants to consolidate company operating areas and heighten profitability by increasing the percentage of (See MCDONALD'S, page 79)

FACT FILE

The world of franchise relationships

Ratings by franchisees of working relationships with franchisor companies



Approximately four-fifths (79 percent) of respondents rated their relationship with the franchisor company as being either excellent (39 percent) or good (40 percent). Only 6 percent rated the relationship as poor.

Source: International Franchise Association

FINANCIAL DIGEST

Chart House net falls 32% in fiscal '91

SOLANA BEACH, Calif. — Chart House Enterprises said its annual net income for 1991 fell 32 percent, to \$4.4 million, on a 5-percent gain in revenues, to \$161.9 million.

The company said the recession and the Persian Gulf war stunted growth more than was expected. But chairman John Creed said that "the worst is over," if results from the fourth quarter of 1991 and the beginning of the new year are any indication.

For the September-through-December period, the company's net income rose 44 percent, to \$502,000, on a 0.2-percent decline in revenues, to \$37.6 million.

"Customers aren't rushing back to our restaurants, but we see signs of recovery in almost every market," Creed stated.

He indicated that fourth-quarter results were buoyed by easier comparisons from the figure for the year-ago period, when customers curtailed spending because of anxiety about the Gulf War.

Vie De France narrows losses in 2nd Q

MCLEAN, Va. — Vie De France said it lost \$329,000 in the second quarter ended Dec. 14, on a 16-percent decline in revenues, to \$8.6 million.

A year ago the company lost \$6.3 million, some \$4.5 million of that amount related to the closing of several underperforming restaurants.

The company attributed the current loss to its culinary division's sous-vide operations. The restaurant operations were profitable for the quarter and the six-month period.

For the six months Vie De France said it lost \$739,137, on a 21-percent drop in revenues, to \$16.3 million. A year ago the company reported a loss of more than \$7.2 million.

Higher tax rate squeeze Daka's earnings

DANVERS, Mass. — DAKA International Inc., parent company of Fuddrucker's and contract feeder daka Inc., reported a 33-percent drop in net earnings, to \$1.06 million, for the second quarter ended Dec. 28, 1991.

Revenues for the quarter fell 4 percent, to \$41.6 million.

A higher tax rate was largely to blame for the drop, said David N. Terhune, DAKA's chief financial officer. "The tax rate this year is approximately 10 [percentage] points higher," he said.

For the six months ended Dec. 28, net earnings fell less than 1 percent, to \$1.8 million, and revenues dropped 4 percent, to \$76.2 million.

In other company developments, stockholders recently approved a 1-for-10 reverse stock split of the company's common stock. Following the reverse split, DAKA will have about 3 million shares outstanding. The move will push up the stock price and make it more appealing to investors, Terhune said. The stock, traded on NASDAQ, will be listed as DKAID until late February.

Cooker's net income jumps 33%

COLUMBUS, Ohio — Citing the higher traffic generated by lower menu prices, Cooker Restaurant Corp. said its net income for the year ended Dec. 29 rose year-over-year by 33 percent, to \$2.6 million.

Sales for the year increased 17 percent, to \$39.5 million. Same-store sales grew by 1.5 percent.

Net earnings for the three months of the fourth quarter soared 55 percent, to \$780,000, on a 20-percent hike in revenues, to \$10.6 million.

Same-store sales during the quarter increased 3.4 percent with no menu price increase.

Cooker opened three new restaurants during the fourth quarter and plans four more for 1992. Currently, 15 restaurants are operating in Ohio, Tennessee, Indiana, Michigan and Kentucky.

FOOD PRICE OUTLOOK

Aid to Russia may boost food prices

If the federal government grants massive food aid to the Commonwealth of Independent States, formerly the U.S.S.R., prices here may take a sharp upward spiral. The supply of wheat is already tight.

Some \$650 million in food aid, mostly for grains, has already been granted, and many expect further grants before summer. Increases in grain prices not only will hike baked-goods prices but also will affect the cost of meat, poultry and eggs, all of which depend upon feed grains.

Speaking of feed grains, the latest federal survey shows 6-percent fewer cattle are on feed lots than there were last year, but because of heavier average animal weights, that's more than the beef market can absorb readily. However, rather than see beef price drop, expect packing houses to cut back on purchase and slaughter to try to keep their margins up. Overall, beef prices probably will roller coaster a bit after the relatively stable market of the past few months.

Coffee futures are falling,

based on the failure of the latest meeting of the International Coffee Organization to impose price supporting quotas. World production continues strong despite some drought problems in Brazil's coffee-growing areas.

Cash prices for green coffee beans, at their lowest level for years, are also trending downward. However, most roasters purchased adequate supplies before the winter coffee season, so drops in green-bean prices will be slow to show up in the price operators pay for roasted coffee.

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Going back to the basics at their new, casual Vinny's restaurant in Chicago are, from left, Marty Fosse and Charlie and Joe Carlucci.

NRN Photo

Vinny's leads Carlucci Group into casual dinner-house niche

by Carolyn Walkup

CHICAGO — Vinny's, The Carlucci Hospitality Group's casual entry into the burgeoning neighborhood Italian restaurant category, broadens this up-and-coming operator's scope beyond its reputation for Italian fine dining.

Vinny's is a departure from the group's two Carlucci

restaurants, both of which are high-end, destination spots. Vinny's, which is meant to recreate the timeless mom-and-pop neighborhood restaurants of New York's Little Italy, runs check averages of \$17, compared with \$25 and \$30 at the two Carlucci's.

At Vinny's the tablecloths

are red- and white-checked instead of white linen, the wine glasses don't have stems, the napkins are paper and most of the menu is written on blackboards. The pasta is called spaghetti and typically comes with red sauce.

With Vinny's becoming (See VINNY'S, page 57)

Red Lobster jettisons value menu, returns to traditional choices

by Carolyn Walkup

ORLANDO, Fla. — While still seeking to maintain a value image, Red Lobster has deep-sixed the 22-entrée value menu it introduced last year and returned to a more traditional selection.

The seafood dinner-house chain found that a specially priced entrée selection was not practical.

"It changed preferences, increased waste and made inventory control more difficult," said spokeswoman Anne Powell Durning.

The 22 entrées had previ-

ously been priced at \$9.95 each.

The current regular dinner menu contains seven items less than \$10 that are mixed in with higher-priced entrées — the same number that appeared on the chain's previous menu. And with fewer choices offered, food waste and preparation time have been reduced.

Check averages have been unaffected by the menu changes, Durning said. "Value has to be a key ingredient in any aspect of the menu," she added.

(See RED LOBSTER, page 57)

INSIDE

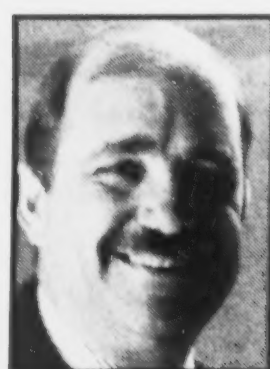
Revive spirits by visiting students

NRN Editorial:
Rick Van Warner/Page 23

Jenkins ousted from Metromedia

by Bill Carlino

DAYTON, Ohio — J. Michael Jenkins, president and chief executive of Metromedia Steakhouses Inc., the operator of the Bonanza and Ponderosa chains, has exited from the 1,100-unit budget steak-house concern after he was informed that his contract would not be renewed.



Jenkins

based in East Rutherford, N.J. Billionaire John Kluge owns

A spokesman for parent Metromedia Co. labeled Jenkins' departure a "mutual decision" between Jenkins and Stuart Sabotnick, the vice president and chief operating officer of MSI parent Metromedia Inc. — a diversified company

Metromedia.

Jenkins did not return phone calls. He will remain as a consultant to MSI until his contract expires on May 31.

To fill the void, Metromedia has tapped Michael Kaufman as acting president. He is a managing director of Kluge & Co., an investment subsidiary of Metromedia Co.

In addition to Ponderosa (See JENKINS, page 56)

Prather joins Furr's/Bishop's

Former Hardee's head strives to resuscitate ailing chain

by Milford Prewitt

LUBBOCK, Texas — William Prather, former president of Hardee's Food Systems and a veteran of turnaround efforts at two chains, has been named president and chief executive officer of beleaguered cafeteria operator Furr's/Bishop's.



Prather

Prather, who resigned from Hardee's seven months ago, had been a consultant to Lubbock-based Furr's/Bishop's for weeks before his appointment by chairman Michael Levenson.

"Bill Prather's innovative leadership and successful track record in our industry enable him to immediately assume management of day-to-day operations while directing the company toward healthy, long-term growth," Levenson said in a statement.

Prather downplayed the magnitude of the challenge he faces at the 120-unit cafeteria operation.

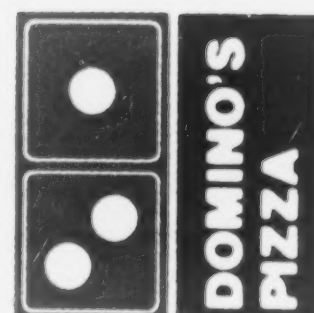
"Maybe I'm a glutton for punishment, but I don't see this (See PRATHER, page 57)

Domino's shuts 45, eyes 55 more

by Theresa Howard

ANN ARBOR, Mich. — Domino's Pizza has shuttered 45 poorly performing stores and is targeting another 55 closings as part of The Bottom 100 project.

The program marks the first mass unit shutdown in the company's 31-year history and pinpoints about 40 franchised and 60 company-owned stores, according to spokesman Mike Jenkins. The plan is designed to close unprofit-



able outlets by the end of this year, he said.

Domino's pulled the plug on 45 units in January. The balance of the targeted stores are being granted one final opportunity for rebound

before being closed. In addition, it closed 14 units in December independently of the project.

"Those low-performing stores affected systemwide profitability," said Jenkins, who (See DOMINO'S, page 7)

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NEWS BRIEFS

Jan. sales hit
three-year high;
food costs fall

WASHINGTON — In a sign that the recession's grip on the restaurant industry may be loosening, the rate of sales' increase at the nation's eating and drinking places in January hit a three-year high, rising 10.12 percent on an annual unadjusted basis, the Census Bureau reported.

In light of last year's Persian Gulf War and viewer fascination with televised coverage — which drove customer counts down — the upbeat numbers in January are largely a result of easy comparisons. Still, December's restaurant sales were also strong, up 7.09 percent on an annual unadjusted basis, the bureau reported. In November restaurant sales climbed 4.92 percent.

Adding more encouragement, the Labor Department reported that wholesale food costs continued to fall in January, declining 1.8 percent on an unadjusted annual basis as meat products took the steepest price dives. The cost of beef fell 8.8 percent while that of chicken dropped 5 percent on a year-to-year unadjusted basis. Cheese products were up in January, rising 6.8 percent.

CRA pushes reform
initiative to fight
doctors' measure

SACRAMENTO, Calif. — Angered by the California Medical Association's push for a ballot measure that would force employers to pay for workers' and their dependents' health insurance, the California Restaurant Association has filed an initiative to reform the state's health-care industry.

Jo-Linda Thompson, the CRA's director of legislative affairs, said the association's ballot measure would require doctors to turn treatment and cost data over to the state for analysis, limit physicians' charges, force doctors to take MediCal and Medicare patients and accept government reimbursement for their treatment as payment in full, and permit hospitals to hire doctors as employees. It would also restrict physicians' referring patients to associates in subsidiaries and use doctors' license fees to fund a medical fraud unit in the state attorney general's office.

In a related development, California state Insurance Commissioner John Garamendi recently outlined a proposal for creating a \$34 billion regional health-care system that would derive three-fourths of its funding from employers.

Shafer named
Dunkin' prexy

RANDOLPH, Mass. — John D. "Jack" Shafer Jr., a 20-year veteran executive of Dunkin' Donuts and its former senior vice president of development and operations, has been named president of Dunkin' Donuts USA.

Shafer fills a post that had

been vacant since Thomas Schwarz left the Dunkin' domestic-system presidency nearly two years ago, when Britain's Allied-Lyons Plc. acquired the company. Last fall Shafer also assumed responsibility for domestic marketing of the 2,000-plus unit doughnut and sandwich chain.

Le Peep's Rhoads
buys out Jacobs

DENVER — In a deal with majority shareholder and creditor Eli S. Jacobs, Le Peep Restaurants Inc. chairman Mitchell E. Rhoads has acquired all of the company's common stock, preferred stock and notes payable. The terms of Rhoads' buyout of Jacobs were not disclosed.

Rhoads is the former Burger King executive brought in by Jacobs in 1989 to run the ailing breakfast-specialty chain. Despite reductions in company-store operating costs and administrative expenses under the Rhoads regime, 9-year-old Le Peep has defied efforts to reposition it into a multidaypart performer.

Le Peep, which has never turned a profit, operates 18 restaurants and franchises 36 others. The company closed 11 units in recent months and said it would shutter more unprofitable outlets.

REGI to appeal
\$596,000 age-bias
award to waitress

LOS ANGELES — Restaurant Enterprises Group Inc. has posted a \$1 million bond to appeal a \$596,000 damage award and job reinstatement ruling won by Lisa Belanger, a 51-year-old waitress who successfully sued the company for age discrimination.

"We did not get a fair trial, and we intend to vigorously appeal," said Charles Peterson, a lawyer for the Irvine, Calif.-based chain operator.

The judge's citation of federal statutes in granting Belanger's post-trial motion for reinstatement may be the first such state court ruling on record.

In other news, the company said it would close its Carrows chain's headquarters in Santa Barbara, Calif., and merge it into the company's family-restaurant division offices in Irvine to speed the conversion of 107 newly acquired restaurants in California.

The move this summer will permit a more "cohesive" conversion of the Bob's Big Boy and Allie's units into the Carrows and Coco's family concepts over the next three years, division president Barry Krantz said.

The \$66 million acquisition from Marriott Corp. includes about 95 Big Boys and boosts REGI's 25-state system to 607 restaurants with annualized sales nearing \$1 billion. Both Coco's and Carrows, which company officials have said are among REGI's sales-growth leaders, would get about half of the converted units, bringing Coco's total to about 180 and Carrows' to about 165.

National plans new
pizza, taco kiosks
after Ch. 11 cuts

HOUSTON — National Convenience Stores said it would continue with plans to add licensed Pizza Hut and Taco Bell kiosks to more than 200 of its 860 Stop N Go C-stores despite the company's recent closure of 126 outlets as a preliminary step in Chapter 11 bankruptcy reorganization.

NCS said it has targeted up to another 110 stores for closure by April 1.

The company filed for court protection from creditors in December, the same month it posted a \$177 million second-quarter loss.

NY White Castles
test table service

NEW YORK — White Castle, the 260-unit fast-food chain known for small, square, low-priced burgers with steamed onions, has begun testing limited table service in the New York metropolitan area.

Numbered signs issued by cashiers identify seated customers to kitchen workers who bring their orders to the table. "It's a version of indoor carhop service," said an area supervisor who is monitoring the test.

An in-line unit on Long Island is one of several White Castles testing the new service in the chain's 50-unit New York market. A spokesman said the company has not yet assessed customer responses or prospects for a wider rollout.

NJ amending
egg law to end
sunnyside-up ban

TRENTON, N.J. — State lawmakers are amending a controversial state health regulation briefly prohibiting restaurateurs from serving eggs not cooked to a 140-degree minimum.

The law, which restricts the pooling of eggs in order to reduce the potential spread of salmonella contamination, also makes it technically illegal to serve most soft-boiled and sunnyside-up egg orders.

Though the more lenient amendment will not be effective until May 1, health officials indicated they would not enforce the current regulation until it is revised.

Bertucci Pizza
plots delivery,
takeout debut

WOBURN, Mass. — Bertucci Inc., the 26-unit operator of the full-service Bertucci's Brick Oven Pizzeria chain here, has slated the midsummer debut of a 2,000-square-foot delivery and takeout-only prototype called Bertucci Menucci.

Currently, delivery and takeout generate about 25 percent of the regional chain's business. Bertucci, which went public last year, projects annual per-unit sales of \$700,000 from the downsized prototype.

FINANCIAL NEWS

PepsiCo profits up despite losses, charges

by Alan Liddle

PURCHASE, N.Y. — Despite a drag on earnings from KFC's plummeting bottom line and the chain's \$34 million restructuring charge in the fourth quarter, PepsiCo Inc.'s restaurant division managed a 10-percent gain in operating profits, to \$576 million, for the year ended Dec. 28.

PepsiCo said aggregate worldwide sales for its Pizza Hut, Taco Bell and KFC divisions rose 14 percent, to \$7.1 billion, over their prior-year results.

In comparison, PepsiCo's overall sales grew 10 percent, to \$19.6 billion, in 1991 while its net income was flat at \$1.1 billion — suppressed by a total of \$170 million in write-offs for KFC and the restructuring of PepsiCo's snack foods group.

The restaurant group's fourth-quarter operating profits — hammered by KFC's net \$10.9 million loss — dipped 13 percent, to \$135.9 million. Restaurant sales were up 15 percent, to \$2.2 billion, during the period.

"1991 was an important year for PepsiCo," chairman Wayne Calloway observed. "In one of the most difficult environments we've seen in a decade, we were able to achieve a solid gain in ongoing profits. International performance was particularly impressive in soft drinks and restaurants."

With write-offs excluded, PepsiCo said, worldwide restaurant operating profits would have grown 12 percent on the year and 2 percent during the quarter. The group's overall net income for the year would have risen 10 percent.

Pizza Hut was the restaurant-division profit leader in 1991; operating profits were up 34 percent, to \$89.8 million, for the quarter and up 28 percent, to \$314.5 million, for the year.

Pizza Hut was the restaurant-division profit leader in 1991 with operating profits up 28 percent for the year.

Sales at Pizza Hut grew 11 percent, to \$1 billion, for the quarter and 10 percent, to \$3.3 billion, for the year, on a 1-percent rise in same-store sales for both periods, the company said. It credited sales growth to an increasing number of delivery-carryout units and the "strong volume gains" associated with such units but added that the results were "partially offset by a decline in traditional stores."

At Taco Bell sales increased 17 percent for the quarter, to \$655.1 million, while profits expanded by a more modest 5 percent, to \$57 million. For the year Taco Bell's sales climbed 17 percent, to \$2 billion, and its operating profits increased by 21 percent, to \$180.6 million.

PepsiCo officials said Taco Bell's profitability in the fourth quarter resulted from "volume gains and additional units, partially offset by lower pricing, higher advertising costs, strategic spending for market manager hiring and training, new concepts and advanced computer systems."

Same-store sales for domestic, company-operated Taco

Bell restaurants increased 4 percent in the quarter and 5 percent for the year, PepsiCo sources indicated.

On the international front, PepsiCo's restaurants reported a 44-percent quarterly rise in profits, to \$30.8 million, and a jump in sales of 27 percent, to \$289.8 million. For the year foreign outlets saw operating profits increase 28 percent, to \$96.2 million, while sales grew 27 percent, to \$868.5 million.

As a whole, the company's domestic restaurant operations reported a 13-percent hike in sales, to about \$2 billion, but experienced a 22-percent drop in profits, to \$105.1 million, primarily as a result of the problems at KFC. Operating profits rose 7 percent, to \$479.4 million, for the year, and sales increased by 13 percent, to \$6.3 billion.

Even excluding the \$34 million restructuring charge that resulted in a loss for the quarter, KFC would have suffered a 33-percent drop in operating profits against a 19-percent increase in sales.

The chicken chain's reported operating profits for the year plummeted 37 percent, to \$80.5 million, on a 20-percent rise in sales, to \$1.8 billion.

PepsiCo officials said same-store sales at KFC were down 7 percent for the quarter and flat for the year.

"I think restructuring will make management leaner, but I'm not quite sure what they can do [to salvage] this year," Joseph J. Doyle, managing director of Smith Barney Inc. in New York, said. "I've maintained for some time that KFC will not mount a meaningful turnaround until it comes out with a 'healthful' [non-fried] chicken product. . . . That is still 12 to 18 months in the future."

FOOD PRICE OUTLOOK

Tight supplies may force beef to rise

by Patt Patterson

The U.S. Department of Agriculture's latest survey of cattle found that herds had increased only 1 percent from last year's figure and that the number of cattle on feedlots is down. As a result, the price of beef has started to rise and soon could move up to, or beyond, its average level for 1991, depending upon continued consumer demand.

There's a large supply of warmwater lobster tails in importers' freezers. But the inventory of cold-water tails is tight and may get tighter. Expect prices on cold-water tails to move higher until at least midspring.

Some agricultural economists expect the U.S.D.A.'s late March survey of farmers' toma-

to-planting intentions to show the acreage of processing tomatoes cut back sharply from the records set for the past three years. There's an oversupply of canned tomatoes and tomato paste overhanging the market with prices at the lowest levels in 10 years, but consumption has not increased. Expect prices to stay low until early summer although there may be some upward movement if the survey shows expected cuts.

Heavy rains at midmonth slowed and even halted harvesting of many vegetables in California but otherwise did little damage to either vegetable or fruit producers. The increase in the snow pack in Northern

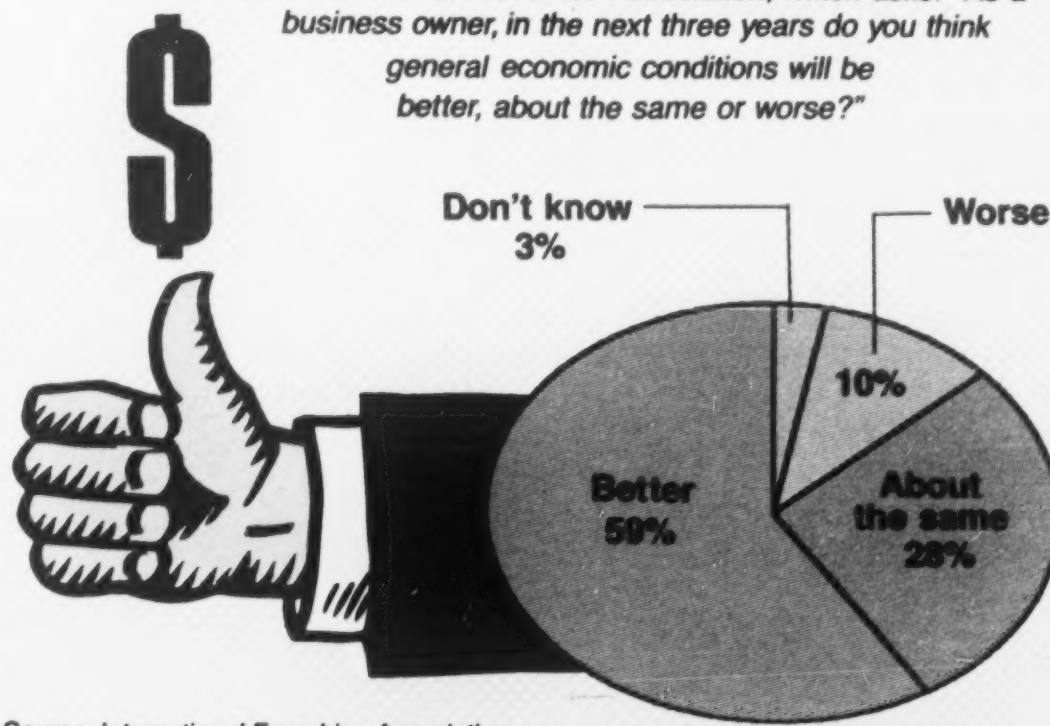
California promised the state's farmers there greater water supplies for the coming summer — after five years of continual drought.

Frozen spinach is in tight supply, but California packers should start production in the next few days. The Western pack is not expected to relieve the shortage totally, so prices may remain at or near present levels. . . . Frozen asparagus is also in short supply, but commitments by packers seem to be running ahead of last year's. It's too early to get a fix on prices. . . . Most packers recently hiked prices on frozen Brussels sprouts because of tight supplies.

FACT FILE

It's got to get better; it can't get worse!

Operators are thinking positively according to a poll taken by the International Franchise Association, which asks: "As a business owner, in the next three years do you think general economic conditions will be better, about the same or worse?"



Source: International Franchise Association

FINANCIAL DIGEST

TW narrows 4Q loss to \$4.3 million

SPARTANBURG, S.C. — TW Holdings Inc., blaming non-cash charges and interest expenses from its 1989 acquisition of TW Services Inc., reported net losses of \$4.3 million in the fourth quarter and \$67.6 million for all of fiscal 1991.

The company lost \$5.7 million in the prior year's fourth quarter and sustained a virtually identical \$67.8 million net loss for all of 1990.

TW said lower commodity prices and tighter cost controls helped narrow the fourth-period loss. Higher sales at TW's Denny's and Hardee's units boosted fourth-quarter revenues slightly to \$898 million, from \$890 million in the comparable period of 1990.

Revenues for all of 1991 declined 0.3 percent, to \$3.6 billion, TW said.

Interest costs trim Consolidated's 1Q net

INDIANAPOLIS — Consolidated Products, owner of the Steak 'N Shake chain, said interest expenses from the company's 1991 recapitalization program contributed to an 18-percent decline in first-quarter net income, to \$929,000, on a 3-percent gain in sales, to \$27.8 million.

The quarterly dip followed Consolidated's record results for the fourth quarter ended Sept. 25, during which the company's earnings before interest and taxes jumped 11 percent, to \$2.8 million, aiding a preinterest earnings leap of 7 percent for the full year, to \$10.9 million.

Apple South scores record annual results

MADISON, Ga. — In its first annual report since becoming a publicly held company last November, Apple South Inc. reported a 79-percent gain in earnings, to \$1.8 million, on a 16-percent increase in revenues, to \$67.6 million, for the year ended Dec. 31.

Apple, a 43-unit franchisee of Applebee's Neighborhood Grill and Bar and a 10-unit Hardee's operator, attributed its strong year-end results to improved unit-level operations and expansion. Same-store sales rose 2.8 percent in the fourth quarter, reversing a 5-percent decrease in comparable-store sales through the third quarter.

"I am pleased with the operating performance and earnings growth experienced in 1991, particularly in light of the difficult economic conditions," said Tom E. Dupree, Apple South's chairman and chief executive.

The company, the largest Applebee's franchisee and the holder of development rights for the concept in 15 Southeastern states, said it intends to open 10 to 12 new Applebee's during 1992.

Checker's expansion boosts annual results

CLEARWATER, Fla. — Checkers Drive-In Restaurants nearly doubled its annual net income in the year ended Dec. 31, to \$3.3 million, on an 84-percent gain in revenues, to \$42.2 million, compared with the chain's 1990 performance.

Checkers said its performance was enhanced by franchised and company store expansion, combined with improved same-store sales results.

In the 12-week fourth quarter, net income jumped 155 percent, to \$1.4 million, on a 100-percent gain in revenues, to \$14.8 million, compared with the year-ago period. Systemwide sales during the year rose 104 percent, to \$73.5 million.

"The record sales and earnings were the result of quality franchise growth, continued strong company operations and Checkers' continued commitment to increasing the number of company-owned and operated restaurants," chairman Herbert G. Brown said of the 117-unit chain in a prepared statement.

Brown predicted that 30 company-operated restaurants would open in 1992.

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Cocotas joins TCBY Systems

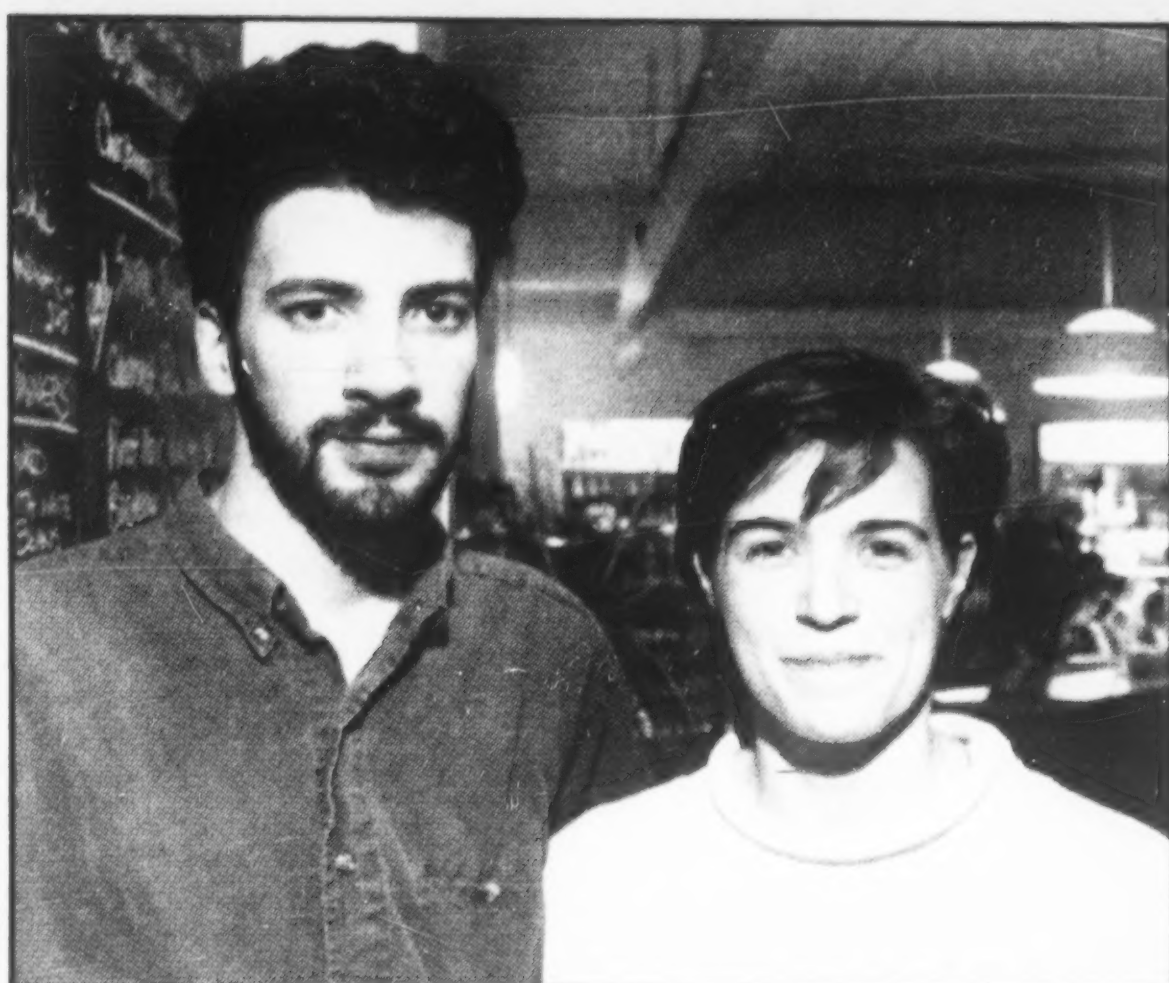
by Robin Lee Allen

LITTLE ROCK, Ark. — Freshly exited from his roost as president of Boston Chicken, Charles A. Cocotas has found a new perch as president and chief executive of TCBY Systems, the franchising and operating subsidiary of TCBY Enterprises Inc.

His appointment marks the first time that the flagging frozen-yogurt franchisor's top executives have gone outside of their ranks to fill an upper-management position, signaling a shift from previously guarded proprietorship to one of necessary compromise, according to industry observers.

In the past several years, TCBY Enterprises' founder, chairman and majority stockholder Frank D. Hickingbotham, and his son, Herren Hickingbotham, TCBY Enterprises' president, have watched their explosive growth of the 1980s stall as a proliferation of frozen-yogurt outlets heated competition and melted their sales, profits and franchise relations.

Industry veteran Cocotas, 56, now has been handed the hefty responsibility of overseeing the operations of TCBY's more than 1,650 franchised and company-owned stores and several non-traditional outlets (See *COCOTAS*, page 51)



John and Caprial Pence inside their casual-themed Westmoreland Bistro in Portland, Ore.

Pence duo wears many hats as owners of Westmoreland Bistro

by Alan Liddle

PORTLAND, Ore. — When Caprial and John Pence were co-chefs at the award-winning Fullers in Seattle, their haute creations were presented to guests by a swarm of servers in surroundings often compared to a contemporary art museum.

Today, as owners of the 32-

seat Westmoreland Bistro here, this husband-and-wife team often leave the cooking to others while they seat customers, make espresso or work the cash register.

The Pences no longer have the time to fan sliced salmon fil- (See *PENCES*, page 51)

Hardee's reconverts 200 Roy's

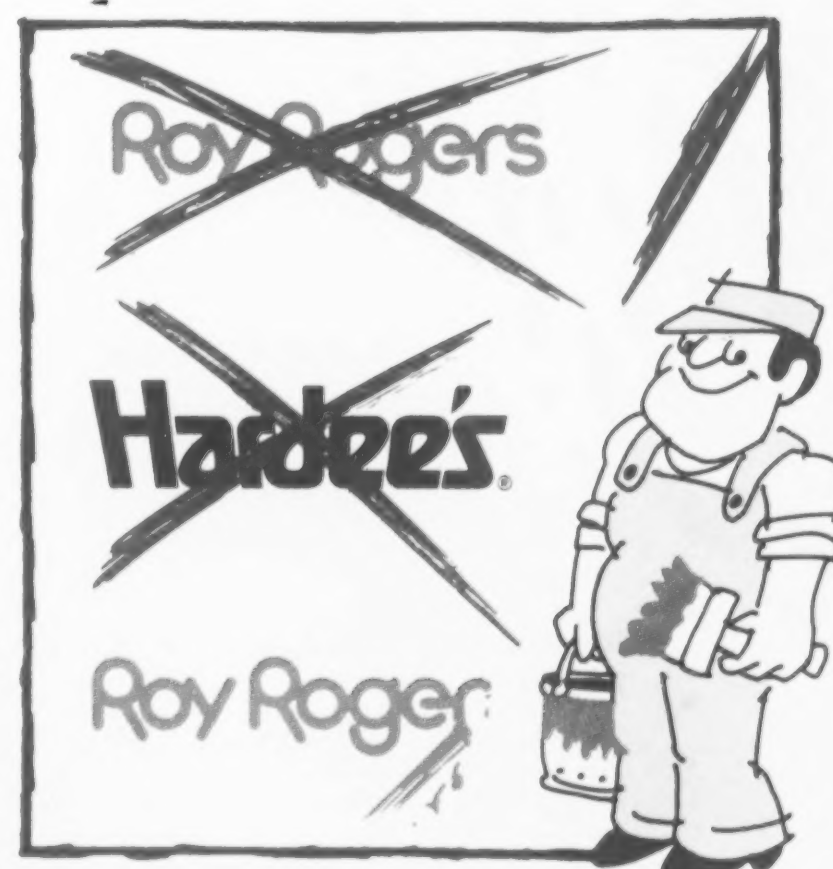
by Milford Prewitt

WASHINGTON — Every former Roy Rogers roast beef and chicken restaurant in Baltimore and Washington, purchased by Hardee's and converted into Hardee's units, is slated to have the Roy Rogers menu and kitchen equipment reinstalled.

At the same time Roy Rogers exterior signage will be replaced on as many as two-thirds of the 200 units in the markets, with some signs completely devoid of any affiliation with Hardee's.

The dramatic about-face comes just three weeks after Hardee's confirmed that it had returned the original menu, equipment, fixing bars and signage of Roy Rogers to two Washington units that had been converted from Roy's into Hardee's.

While the reconversions at the first two units were initially described as a test, the company has revealed a broader mission



that borders on reversing much of the remodeling it has done in the market to date.

Maurice Bridges, a company spokesman, confirmed that Hardee's has been involved in a (See *HARDEE'S*, page 4)

F '91 performance blunts Hardee's comeback hopes

See story on page 14

IFMA honors 9 leaders as '92 Silver Platers

by Rick Van Warner

CHICAGO — Disney World foodservice pioneer Larry Slocum, long-time Dunkin' Donuts chief Robert Rosenberg, and Knoxville, Tenn., independent restaurateur William Regas are among nine industry leaders who have been selected to receive prestigious Silver Plate awards.

Unlike the executive suite turnover typical of the industry in recent years, the trio collectively has logged nearly 100 years of commercial foodservice experience — solely with their



Regas



Rosenberg



Slocum

respective companies.

Other International Foodservice Manufacturers Association 1992 Silver Plate winners chosen here were Peter Hothorn, Omni Hotels senior vice president of food and beverage; Thomas Lackmann, president of Lackmann Food Service; William Lembach, director of Food (See *IFMA*, page 50)

INSIDE

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Operators may pre-empt FDA regulations

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Budapest's Gundel: Lang's 'pot of gold'

Fine Dining/Pages 27-34

McCann resigns as COO of Riese

Will remain as consultant, pursue private ventures after 6-year tenure

by Peter O. Keegan

NEW YORK — After spending six years as the operational backbone of The Riese Organization, Vincent McCann has stepped down as chief operating officer of the New York-based multiconcept franchising empire.

"I resigned because I felt that it was time to move on; it was a friendly parting," explained McCann, 45. "Right now I'm looking at a bunch of



McCann

different options."

Riese Organization president Dennis Riese has assumed all of McCann's responsibilities, which include overseeing operations at the company's 300 franchised operations, such as Dunkin' Donuts, KFC, Pizza Hut, El Torito, Roy Rogers and Del Taco.

"I'm not especially happy he's leaving," Riese said. "I (See *MCCANN*, page 50)

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March 2, 1992

NEWS BRIEFS

Court bars Posner from helm of Arby's parent DWG Corp.

CLEVELAND — A federal court judge has barred controversial financier Victor Posner and his son, Steven, from running DWG Corp., the Miami-based parent company of Arby's, for 120 days pending an audit to investigate charges Posner plundered the holding company.

U.S. District Judge Thomas D. Lambros ruled that Posner "continues to stomp on the rights of shareholders, officers and directors by reigning over DWG as if it were his personal fiefdom."

Analysts told The Wall Street Journal that a sale or liquidation of DWG's assets, including Royal Crown bottling, is possible after the audit, and they said the Arby's sandwich chain could fetch at least \$120 million. That amount is \$80 million less than a franchise group's offer that Posner rejected in 1989 in connection with a revolt by franchisees and his unpopular firing of Leonard Roberts, Arby's president.

Pizza Hut targets Little Caesars with takeout unit

WICHITA, Kan. — Pizza Hut officials said the chain is poised to unveil a new takeout, drive-thru prototype here as a vehicle for direct competition against carryout segment leader Little Caesars.

The test concept, whose name Pizza Hut officials would not divulge, will offer limited dine-in seating but not delivery. It is expected to open by April at a converted men's clothing store in a shopping center on East Central Avenue.

Sources at the PepsiCo division said proposed expansion of the new concept would combat Little Caesars in much the same way Pizza Hut's launch of a fleet of downsized delivery and carryout units targeted Domino's.

Denny's axes controversial policy

SPARTANBURG, S.C. — Denny's Inc., under threat of litigation from civil-rights groups that claimed a late-night pay-when-you-order policy was discriminatory, has agreed to drop the policy. It had been in place at 13 restaurants.

Despite the concession, lawyers for a group of African-American students, who allege they were victims of discrimination at a San Jose, Calif. Denny's, were angered by the chain's failure to agree to pay the students for their "emotional distress." The students affirm they were asked to pay for their meal at the time they ordered because of the color of their skin.

Denny's has said that the policy was intended to reduce losses related to people who walk out of restaurants without paying, but that it "hoped" to control the problem by beefing up security and scheduling more managers.

Taco Bell group formed to oppose new licensed rivals

WICHITA FALLS, Texas — A new association of Taco Bell operators — claiming to represent more than 1,000, or about 70 percent, of the chain's franchised restaurants — said it organized to press Taco Bell Corp. about festering contract issues, including unwelcome competition from its new, non-traditional licensees.

Although the International Association of Taco Bell Franchisees, based here, "is in no way meant to be confrontational," the group intends to voice concerns to the PepsiCo-owned franchisor about its recent wave of licensing, IATBF president Ron Bellamy said. The group will also address disputes over the sales and transfers of franchises, contract renewals and product pricing, he said.

Taco Bell, in a statement from its Irvine, Calif., headquarters, said it welcomed the opportunity to "enhance our communications process." The company owns about 60 percent of the chain's 3,500 restaurants.

Wendy's '91 net up 31%, ranks as best since '85

DUBLIN, Ohio — Wendy's International, reporting its strongest annual results since 1985, has posted fiscal 1991 earnings of \$51.3 million, up 31 percent from the prior year's results.

Revenues grew 5 percent, to \$1.06 billion, somewhat less than expected in light of the opening of 92 new company stores last year by the industry's No. 4 burger chain. Wendy's said customer response to television commercials featuring founder Dave Thomas and improved service at the unit level were keys to its improved performance.

Systemwide sales for the year rose 5 percent, to \$3.22 billion. Same-store sales at company units climbed 5 percent, to \$874,000, as unit operating margins jumped by 13 percent. Wendy's fourth-quarter net income increased 40 percent, to \$10.8 million, on an 8-percent gain in revenues, to \$269.7 million.

BK extends Weight Watchers test to 348 units

MIAMI — Burger King's marketing of Weight Watchers entrées is being expanded from 144 units to 348 BK outlets and backed by television advertising highlighting the diet-food manufacturers' available pizza line.

BK and Weight Watchers launched their venture last July with a test of three dinner entrées and Weight Watchers salad dressing at a single restaurant. The manufacturer's products are among several branded packaged-food items

BK is selling in a bid to broaden its market and adopt more of a retail stance.

PepsiCo buys into cart maker, stops its sales to rivals

PURCHASE, N.Y. — PepsiCo Inc., the parent company of Taco Bell, Pizza Hut and Kentucky Fried Chicken, has purchased an unspecified minority equity stake in Denver-based Carts of Colorado, whose mobile units and modular kiosks are used by a growing number of the chains' licensees.

The deal, terms of which were not disclosed, "increases our ability to aggressively pursue new and non-traditional distribution channels," a PepsiCo official said. As a result of PepsiCo's investment, Carts of Colorado, which estimates that the 20,000 units it has sold to date generate annual foodservice sales of \$2 billion, will stop selling equipment to such competitors as Burger King and Coca Cola Co., he indicated. Other cart customers have included Marriott Corp., ARA Services, Service America, Disney World and Mrs. Fields.

TPI selling theater holdings to focus on restaurant div.

NEW YORK — TPI Enterprises Inc. will sell its film exhibition business in order to concentrate on the company's Memphis, Tenn.-based TPI Restaurants subsidiary, the largest franchisee of Shoney's Inc.

The company said it would sell its 50-percent ownership interest in Exhibition Enterprises Partnership, which operates 60 multiplex movie theaters with American Multi-Cinema Inc. The price tag was not revealed.

TPI said it intends to concentrate solely on developing its restaurant division, which currently comprises 171 Shoney's, 65 Captain D's, seven Hungry Fishermans and two Danvers.

Cholera outbreak boosts in-flight meal binge in LA

LOS ANGELES — An outbreak of potentially deadly cholera here among passengers from an Aerolineas Argentinas flight has prompted planes bound for Peru, the suspected source of the disease, to load hundreds of extra catered meals to avoid the need for restocking there.

Flights departing for Lima, Peru, stowed the surplus food from contractors' in-flight kitchens at the Los Angeles airport.

In the first such outbreak in the United States, at least 60 of the 336 people aboard the Argentine flight showed symptoms of cholera, which was known to have killed at least one elderly passenger. The flight originated in Buenos Aires but restocked in the capital of Peru.

FINANCIAL NEWS

F '91 performance blunts Hardee's comeback hopes

by Milford Prewitt

ROCKY MOUNT, N.C. — After posting third-quarter numbers that gave its parent company hope for a turnaround, Hardee's limped out of 1991 with year-end and fourth-quarter results that darkened that prognosis.

Imasco Ltd., the Montreal-based retailing, tobacco production and financial services conglomerate, said its Hardee's division's operating earnings fell 35 percent in 1991, to \$40.3 million, on a 3-percent decline in revenues, to \$1.83 billion.

From a profit standpoint, Hardee's performance was much brighter during the fourth quarter. The company posted operating earnings of \$4.4 million, eclipsing a loss of \$5.5 million in the final quarter of 1990.

But revenues fell 7 percent, to \$439.5 million, in 1991's closing period.

When the company reported its results for the third-quarter ending in September, Purdy Crawford, Imasco's chairman,

voiced optimism that the chain was beginning to stem its chronic earnings hemorrhage. Comparing third-quarter results of 1991 with those of 1990, Crawford pointed out that earnings fell just 12 percent in the most recent third quarter, vs. a 45-percent drop in the same period a year earlier.

But Crawford's tone in assessing the fourth quarter was mixed.

"At Hardee's Food Systems the recession, an increasingly mature and competitive fast-food industry as well as weakness in our company restaurant operations took their toll in 1991," Crawford said. "Operating earnings declined to \$41.6 million [Canadian] from \$69.2 million [Canadian] in 1990, itself a disappointing year."

Crawford remained optimistic that the company may be surmounting its troubles.

"Hardee's new chief executive, Bob Autry, is enjoying solid

support from the owner-operators of Hardee's licensed restaurants," he said. "He is bringing strong, no-nonsense management to the company, and we believe that the midyear change of leadership at Hardee's with a renewed focus on fundamentals will restore satisfactory earnings over time."

While the onslaught of the recession and the year-ago Persian Gulf War severely stained Hardee's fortunes, the chain's absorption of the 640-unit Roy Rogers burger-and-chicken chain has been a more formidable challenge ever since it was acquired in April 1990.

Hardee's recently began a test in the Washington market — a company-store enclave — to restore Roy Rogers' signs, equipment and original menu back in two restaurants that had been switched into Hardee's. Company officials said that if the restoration is successful, more units could be reconverted.

Longhorn Steaks files for IPO

by Carolyn Walkup

ATLANTA — Longhorn Steaks has registered with the Securities and Exchange Commission for an initial public offering of 1.7 million shares of common stock to finance development of new restaurants.

Longhorn, which has a \$15 dinner-check average, has scored steady growth ever since its inception in 1981. The company intends to maintain its growth pace at between 20 percent and 25 percent annually.

The midpriced steak-house segment has gained strength, Longhorn president George

McKerrow Jr. asserted, because both the high-end and the budget steak-house categories are hurting.

Longhorn reported that its total foodservice revenues of \$49 million in 1991 represented an 18-percent increase over sales of \$40 million in 1990. Same-store sales averages increased 5 percent during the year, from \$1.9 million to \$2 million, the company said.

Per-unit sales averages in 1991 rose to about \$2.25 million for the 19 company-owned stores. There are 11 franchised

restaurants. The company also operates three Skeeters Mesquite Grills, which are not slated for expansion.

The Longhorn restaurants are known for large portions and a casual, no-frills atmosphere with a Texas accent. Locations range from converted gas stations to strip malls to built-from-scratch buildings.

Proceeds from the offering are also earmarked for the retirement of bank debt, which McKerrow described as minimal. "We have always expand-

(See LONGHORN, page 49)

FOOD PRICE OUTLOOK

Slow slaughter moves beef prices up

by Patt Patterson

Beef prices have been moving up, more on reduced slaughter by packers than on demand. Feedlots have an somewhat reduced inventory of animals ready for slaughter, and prices of fed cattle have been moving up to where they were last year at this time. Some observers expect prices to stabilize at or near 1991 levels soon.

There's plenty of pork available, and prices are still well below last year's at this time. Storms in the Midwest slowed hog marketing for a while in mid-February, but farmers have a strong inventory and continue to bring the animals to market. Expect

prices to continue at current levels well into next month.

Supplies of cod and had-dock continue tight, particularly frozen blocks and slabs from which portions are cut. Prices continue high . . . There is a 10-percent greater supply of king crab on hand this year, and some suppliers have reduced prices . . . Warmwater lobster tails are in good supply, and prices are lower. But cold-water tails are in short supply, and prices remain strong.

Lots of frozen strawberries are available, and with California's Watsonville area coming into production, prices for fresh berries are expected to drop.

There was some damage from the heavy mid-February rains reported in the Oxnard-Ventura area, but production was winding down there and prices moved up only marginally.

Frozen asparagus supplies are tight. Production starts in April. Meanwhile fresh grass is hitting the markets at lower pricing as the California harvest increases . . . The frozen spinach pack this year looks good, and some California packers are beginning production . . . Field prices of lettuce, broccoli and cauliflower are at yearly lows. Rains did not disrupt harvesting in the western desert areas, and quality continues high.

FACT FILE

The Joy of Franchising

The level of overall satisfaction as owner of a franchise compared to other business owned or operated, or other jobs held:



FINANCIAL DIGEST

Rally's annual net rises 21 percent

LOUISVILLE, Ky. — Rally's Inc. reported a 21-percent jump in net income, to \$6.1 million, on a 15-percent spike in revenues, to \$94.1 million, for the year ended Dec. 29.

The double drive-thru burger operator said same-store sales gains and chain expansion had led to Rally's strong year-end results.

For the three months of the quarter, Rally's said its net income jumped 69 percent, to \$1.9 million, on an 18-percent rise in revenues, to \$24.9 million.

Rally's added that if it had not acquired the 19-unit Maxie's last year, net income for the quarter would have been \$180,000 higher. But costs that were associated with the purchase reduced earnings.

Systemwide sales grew 19 percent, to \$221.1 million, during the year.

Rally's closed the year with 337 outlets, 87 of them opened during 1991.

Store closures trim Sbarro's annual net

COMMACK, N.Y. — Sbarro Inc. blamed the closing of several underperforming restaurants for a 7-percent decline in net income, to \$21.8 million, in the year ended Dec. 29. Annual revenues were \$209.8 million, which is a 10-percent gain from the prior year's results.

The pizza chain's fourth-quarter net income fell 13 percent, to \$7.2 million, while revenues in the period rose 10 percent, to \$61.7 million. Sbarro said it took a charge of \$1.2 million against earnings in closing restaurants that failed to meet performance criteria.

Ryan's annual net falls 3% as sales rise

GREER, S.C. — Ryan's Family Steakhouses said annual net income fell 3 percent, to \$23.3 million, on a 9-percent gain in revenues, to \$299.3 million, for the year ended Jan. 1.

While earnings in the fourth quarter dipped 8 percent, to \$5 million, revenues surged 13 percent, to \$73.9 million, largely as a result of strong same-store sales trends during the last two months of the year, the company said. It indicated that some units, especially those with bakeries, saw their sales rise by as much as 19 percent in that period.

Ryan's said it expects stronger revenue gains in the first and second quarters this year, based largely on easier comparisons with the first half of 1991. Same-store sales rose 7 percent in January, the company noted.

Ciatti's loses \$90k in 2nd quarter

EDINA, Minn. — Ciatti's Inc. said bad winter weather and the recession prevented the company from "returning to profitability" in the second quarter, during which it sustained a \$90,725 loss. In the comparable period a year ago, the company posted a \$72,079 profit.

The Italian dinner-house operator reported a 16-percent gain in sales, to \$5.2 million, in the second quarter this year, primarily from sales at two new restaurants that opened during the period.

Ciatti's lost \$214,010 in the first half on an 8-percent rise in sales, to \$9.5 million.

Cucos' profits rise 10% in 2nd quarter

METAIRIE, La. — Cucos Inc. said net income jumped 10 percent in the second quarter ended Jan. 12, to \$22,281, on a 16-percent gain in sales, to \$3.8 million.

The 33-unit operator and franchisor of Tex-Mex dinner houses said third-quarter results are expected to be off by about \$20,000 because of the costs of reopening a renovated restaurant.

OPINION

Be mindful of consumer 'needs' — creatively

by Fred G. Sampson

Red wine... Exercise... Decaffeinated coffee... What do these entirely different topics have in common, and why would someone in the foodservice industry have an interest in them? Let me explain.

I have been saying for the last 10 years that we are doing an outstanding job of confusing the consumer. We are the media, the public-health and science communities, various government agencies, and certain consumer advocate groups.

It seems that as soon as some organization comes forth with a claim that certain foods, activities or products have been suspected of causing some problem or threat to the general population, one or all of the above call press conferences, take out ads in the various media and immediately urge some type of government intervention.

Invariably, within six months after many of these studies have been published, a counter study reports diametrically the opposite. The consumer is justifiably confused, not knowing whom and what to believe. Think about the following.

About two years ago a study by a major school of public health looked at 44,000 men over a two-year period. It found that those who drank moderate amounts of alcohol had a 25- to 40-percent lower chance of developing heart disease. The standard for moderate was one or two drinks a day — a standard drink being 12 ounces of beer, 4 ounces of wine or 1.5 ounces of 80-proof spirits. They did not take into account coronary risk factors, such as smoking, high intake of fat or cholesterol as well as a low intake of fiber, and the findings still showed alcohol to be cardio-protective.

They attributed its benefits to the fact that alcohol has the ability to raise HDL cholesterol. HDL is considered the good type, which protects against coronary artery disease.

Last year a French study came to the conclusion that only red wine was cardio-protective, and recently a major Eastern university claimed to identify the special chemical in red-wine grapes responsible for that trait.

Immediately, groups representing those who beat

the drum for some type of prohibition called the studies totally false; some even said that this was a plot. How could the media dignify such irresponsible studies by reporting them? Everyone knows that drinking is no good for you. Never mind that these studies were conducted at prestigious schools.

Confused? Every day we heard how important exercise is for you in that it will help lower your blood pressure... until all of the media reported that exercise has no bearing on your blood pressure at all.

It now appears that lowering your weight and watching your salt intake appear to be the only way to reduce high blood pressure.

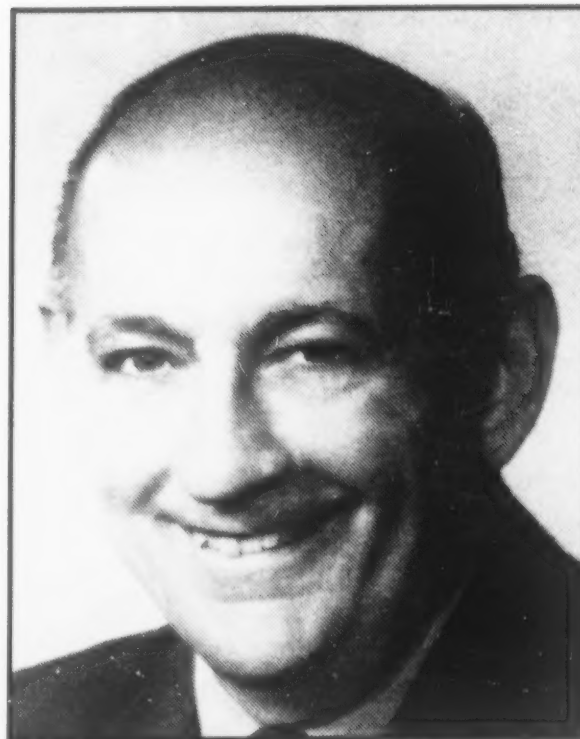
Does that mean that you are wasting your time exercising? I don't think so, but who knows? Maybe tomorrow's paper or TV show will help us figure it out. Maybe some new study will tell us that exercise will help bald-headed men like me grow hair provided that we do it six hours a day, eight days a week.

What to do? How about decaffeinated coffee? One study states that the process which is used could cause stomach problems. On the other hand, most doctors tell patients that if they are having digestive problems, they should drink only decaffeinated coffee.

What impact does that advice have on the foodservice industry. Very simple. The consumer wants to know more about what we are serving and how it affects his well-being.

Let me give you an example. Recently, the most-watched TV show in America, "60 Minutes," ran a piece on the aforementioned positive effects of red wine on the cardiovascular system.

The next day I had lunch in one of New York City's most famous restaurants. It caters to some of America's



Fred G. Sampson

top business executives. One of the owners told me that his sale of red wine at lunch was absolutely unbelievable.

Why? Simply because they — the executives, like most of us — were responding to any reasonable suggestion that would have a positive effect on their well-being. That anecdote is but one example of the way our customers are being influenced in their purchasing decisions.

At one time the basis for ordering an item involved what the customer liked, what tasted good. Now there are a number of tests the menu item must pass before the customer will consider ordering it. How much fat does it contain? What is its cholesterol count? How about the sodium? If it's poultry, can the skin be removed?

Next, how is it prepared? Is it fried and, if so, in what type of product? Can I get it broiled, and, if so, will you please hold the butter?

Let me make it perfectly clear that I'm not taking issue with our customers and what they want and how they want it.

My concern is that their choices are not being made on the basis of what they really want, but rather on the basis of what someone else thinks is good for them. And that determination of what is good for them is based on information that is all of 20 minutes old and, in all probability, will be refuted tomorrow.

Such confusion in the marketplace is compounding our efforts to please our guests and is changing dramatically the way we merchandise our menus.

What's the answer? There really isn't one. Why? Simply because the studies, medical papers, surveys and other sources will continue to issue reports as long as the public shows a keen interest in them.

The best one can hope for is to monitor the situation and design one's menu with an eye for those foods that offer an opportunity to be creative and, at the same time, appeal to the public's wishes in regard to their health concerns.

Remember: People still eat out because they are, for the most part, looking for a total experience that includes atmosphere, service, value, cleanliness and a sense that their patronage is appreciated.

Years ago a major foodservice supplier coined the phrase "eating out is fun." Perhaps it is time to remind our customers of that fact.

Fred G. Sampson is president of the New York State Restaurant Association.

SIDE DISHES

The latest in high technology quiets cries for more fries

Whether it be to satisfy a hunger pang or fend off 3 o'clock boredom at the office, many people end up "vending for themselves." A new machine on the market adds something new to the chocolate bars, cookies, popcorn and licorice: french fries.

French fries, one of America's earliest forms of finger foods, have finally made into the era of the vending machine.

A Miami-based company has rolled out a vending machine the size of a soft-drink machine that dispenses 33 golden french fries for \$1. All customers have to do is touch a button, and salt and ketchup are also dispensed. The machines cost approximately \$10,000 and lease for \$335 a month.

The machine, which uses robotics, mixes water with a powder of dehydrated potatoes, creating a dough that shapes the french fries. It is then dropped into a vat of boiling cholesterol-free canola oil and fried. When the fries are done, they are gathered into a 12-ounce paper cup and delivered hot. The machine can churn out approximately 60 orders per hour.

From les haricots to zydeco: Bryan Miller jams Cajun-style

NEW YORK — Even though The New York Times Critic Bryan Miller is an aficionado for French food, he has an ear for Cajun music.

Miller is part of an eight-member group called the Pinballs, a band of six men and two women that play their own brand of Cajun-zydeco music, which is popular in New Orleans and Louisiana. The band plays at places like The Lone Star Cafe and other clubs that feature live music.

"I started out three years ago for fun, but we fell in

NAME OF THE WEEK

Hal O Peños

Phoenix

NRN reader Rob Jones, an employee at Statewide Business Brokers Inc., spotted this week's winning restaurant name at 3575 W. Northern Ave. in Phoenix. The Mexican restaurant specializes in fajitas, tacos, burritos, seafood enchiladas, chimichangas, taco salad and hamburgers.

If you spot a clever, funny or bizarre restaurant name, send it to Name of the Week, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

love with the music, got more serious and now have a professional band that plays the circuit," Miller told the New York Daily News. "After rehearsals I take some of them with me for reviews. I tell them, 'You may not be the best-paid [band members], only the best fed.'"

Couple celebrates 'big day' at special Big Boy restaurant

REDFORD, Mich. — Returning to the place where they had their "big" first date, a couple celebrated their 25th wedding anniversary at a Big Boy restaurant here.

Dennis and Mary Koss of Farmington Hills, Mich., had a private function for about 30 family members at the restaurant, which remained open for its normal business. The Koss' four adult children, who came up with the idea for the silver anniversary party, decorated a small section of the restaurant. The party featured a replica of their parents' original wedding cake, an enlarged reproduction of their wedding picture and a 25-

year-old Big Boy menu — from which they happily ordered their anniversary dinner.

Trendsetting kids and teens favor beef and pasta dishes

Xtreme Inc., a marketing research company that follows trends and habits of young people, has come out with a new survey in its ZandSlant newsletter. The survey of 2,000 8- to 24-year-olds pinpoints trends of what they call Alphas, kids who initiate trends, and Early Adopters, children who are pivotal in moving trends into the cultural mainstream.

Alphas, who represent about 5 percent of those surveyed, are curious, creative and original, seeking to be different from their peers. Early Adopters, which represent about 10 percent of the population, are popular, charismatic kids who move the trends brought about by the Alphas into the mainstream, where the other 85 percent of kids follow them. Here are some trends that could hit the mainstream in the near future:

Alpha/Early Adopter food and beverage favorites				
Category	Girls	%	Boys	%
Food	pasta	14	beef (steak, ribs)	21
	pizza	13	pizza	21
	seafood	8	seafood	10
UP AND COMING: Mexican, Japanese, Thai				
Restaurants	American	51	American	49
	Asian	17	Italian	19
	Italian	14	Mexican	14
UP AND COMING: Indian, Japanese				
Source: Xtreme, Inc.				

Compiled by Peter O. Keegan

Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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Nicollet Island Inn general manager Sally Ring, left, and Hallie Harron, executive chef, display an array of 'updated' dishes.

Nicollet Island Inn adds modern twist to 'homey' cuisine

by Carolyn Walkup

MINNEAPOLIS — The Heartland cuisine that new management has introduced at the Nicollet Island Inn stretches beyond "Minnesota home cooking."

Some menu items may sound like Mom's favorite recipes from the 1950s — offerings like Lena's hot dish, a casserole

of spinach and other vegetables, noodles and cheeses, or Minnesota meat loaf — but actually, executive chef Hallie Harron has brought them "up to the '90s."

"In the past we have always associated the Midwest with large hunks of meat and (See NICOLLET, page 4)

Copeland bankruptcy takes on new twists

Impatient CIBC group files reorganization plan; Merrill Lynch asks court to remove Copeland

by Peter O. Keegan

AUSTIN, Texas — Drawn-out bankruptcy court proceedings over the fate of Al Copeland Enterprises erupted here as one exasperated lender submitted its own reorganization plan while another angry lender demanded the removal of Copeland himself from daily operations of ACE.

The dramatic moves occurred at Federal Bankruptcy Court here, during a hearing judge Frank Monroe had scheduled as a deadline for the final negotiations to be hammered out between Copeland and unsecured lender Merrill Lynch.

Frustrated by seven months of apparently fruitless negotiations between those parties, a senior subordinated lender group led by the Toronto-based Canadian Imperial Bank of Commerce submitted its own

plan to reorganize the Popeyes and Church's chicken chains.

Meanwhile, Merrill Lynch asked the federal judge to empower someone to make decisions and take control of ACE from Copeland, who has remained chairman and chief executive since filing for protection from creditors last April.

"We have filed a motion that an examiner be appointed to oversee direct day-to-day activities and negotiations at ACE," said Merrill Lynch spokesman Jim Wiggins. "This addresses the conflict of interest potential, with Al being a supplier, franchisee and potential creditor, while acting as chairman and chief executive of the company."

In recent weeks a group of Church's franchisees has also asked bankruptcy judge Mon-

roe to appoint an examiner who would have "full executive and operational authority" over the company, according to court documents.

"Everybody wants to get a trustee in there," said Robert S. Berg, president of Miami-based Popeyes franchisee Sailor Man Inc., echoing franchisee sentiments.

Copeland would not discuss the latest developments but through a spokeswoman said he would file separate reorganization plans on behalf of ACE and himself for the judge to consider.

The initial reorganization plan was submitted in July by unsecured lender Merrill Lynch and was agreed upon in principle by ACE. Under that arrangement, the New York in-

(See COPELAND, page 64)

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Italian wines

Mort Hochstein/Page 22

McCarty files Ch. 11 petitions, cites hotel debt

by Richard Martin

SANTA MONICA, Calif. — "California cuisine" pioneer Michael L. McCarty, hobbled by millions of dollars in debts from his decade-long quest to launch a beachfront hotel here, has filed separate Chapter 11 bankruptcy petitions for himself, his hotel-development partnership and his restaurants in Santa Monica, New York and Washington.

Declaring total liabilities of \$56.8 million, the bicoastal restaurateur, who is recognized by critics as a progenitor of contemporary dining in Los Angeles and a trendsetter in the American cuisine movement, said the personal and business



McCarty

filings in federal court in New York were "the only way I could protect my assets, my three restaurants."

McCarty asserted that his 12-year-old Michael's flagship in Santa Monica and its 3-year-old spin-offs — Michael's in midtown

Manhattan and Adirondacks in Washington's Union Station — are all operationally profitable and are currently on sales paces that would put them ahead of their \$7.5 million total last year.

"I want to stress that my restaurants are doing fine; my problems are caused by the hotel disaster," averred McCarty, (See MCCARTY, page 65)

FICA credit joins Senate tax bill

by Robin Lee Allen

WASHINGTON — The Senate Finance Committee has attached a \$1.5 billion FICA tax credit amendment to its \$57 billion economic recovery package that could alleviate some of the tip-tax burden restaurateurs have shouldered for nearly five years.

The National Restaurant Association is hailing the tax-credit rider as a major victory related to its grass-roots cam-

paign to repeal legislation that forces operators to pay Social Security taxes on all servers' tips.

But the measure faces a tough journey before restaurateurs might realize any benefit from the credit. The proposed recovery package to which the credit is attached must first be approved by the Senate and conference committees before even reaching President Bush,

who vowed he will veto any bills that include tax increases, as this one does.

Regardless, the Senate Finance Committee's approval of the rider illustrates some bipartisan support on an issue the foodservice industry considers critical, industry members said.

That support is crucial during an election year when lawmakers are likely to draft tax- (See TIP TAX, page 64)

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NEWS BRIEFS

Posner cited for contempt in DWG shareholders suit

CLEVELAND — The federal judge who last month suspended Victor Posner from control of the Arby's chain's parent company, DWG Corp., has charged the controversial financier with criminal contempt of court for alleged perjury and violation of a court order.

Judge Thomas D. Lambros, who barred Posner from DWG's helm pending an audit to investigate charges he looted the Miami-based holding company, cited the 73-year-old for flouting Dec. 26 orders restricting his handling of corporate affairs and his acceptance of money from DWG affiliates. Posner was also charged with stating falsely under oath that DWG doesn't pay for his maid service and laundry.

Lambros' order requests the U.S. Attorney in Cleveland to prosecute Posner, whose unpopular firing of Leonard Roberts as Arby's president in 1989 sparked dissent among franchisees and chain management. Analysts have said the current audit of DWG could lead to a sale or liquidation of its assets, including Arby's and Royal Crown bottling.

Restaurant, union workers stage protest at O'Hare

CHICAGO — Some restaurant workers and union organizers staged a protest recently against management of restaurants at O'Hare Airport that are operated by Dobbs Houses, a subsidiary of Dial Corp.

The protestors charged Dobbs with laying off 25 workers who averaged \$9 per hour in wages in order to replace them with new workers being paid a beginning wage of \$5.60 an hour.

The Hotel Employees & Restaurant Employees International Union, AFL-CIO, is attempting to organize some 800 foodservice employees at O'Hare.

Neither spokesmen for Dial Corp., based in Phoenix, nor for O'Hare's Dobbs Houses subsidiary, formerly Carsons International Restaurants, could be reached for comment.

Koo Koo Roo sues Blockbuster, executive over broken contract

LOS ANGELES — Koo Koo Roo Inc. has filed suit against Blockbuster Entertainment Inc. and Blockbuster executive Vincent A. Lambiase for failure to honor an employment agreement that would have made Lambiase chief executive officer of Koo Koo Roo.

Following lengthy negotiations, Lambiase had inked a written employment contract to head the expanding grilled chicken chain, according to Koo Koo Roo attorney Mike Robbins.

Lambiase did not return phone calls.

A few days before he was to start work, Lambiase informed chairman Kenneth Berg that he would be staying at Blockbuster in his job as head of its Western region. Besides charging Lambiase with negligence and fraud, the suit alleges that Lambiase was improperly induced by Blockbuster to breach the employment agreement.

Sarvis tapped to head Quincy's

SPARTANBURG, S.C. — Jeff Sarvis, a nine-year veteran executive of the Quincy's Family Steakhouse chain, was named to head the 216-unit division of TW Services Inc.

As division chief of Quincy's, Sarvis succeeds William H. Burton, who also served as the chain's chief operating officer.

Quincy's also named Jack Dunsmoor, a 13-year veteran of the company, to the newly created position of research and development coordinator, in charge of concept and product development.

KFC-Canada acquires 65 units in British Columbia

ONTARIO — Kentucky Fried Chicken-Canada, a division of Pepsi-Cola Canada Ltd. of Toronto, purchased 65 KFC British Columbia restaurants from veteran franchisee White Spot Limited.

Specific terms of the sale were not disclosed, but the transaction brings the number of stores owned and operated by KFC Canada to 200. The remaining 600 of the 800 KFC restaurants in Canada are franchised, 400 of them operated by Scott's Hospitality.

Rob Chase, director of business development at KFC-Canada, has been named general manager for KFC operations in British Columbia.

Rally's quashes rumor that officer would sell stock

LOUISVILLE, Ky. — Rally's said someone maliciously attempted to manipulate the price of its common stock by calling unit managers and an investment house and spreading the rumor that a corporate officer would sell a huge chunk of his investment.

Rally's said the rumor was totally unfounded, noting that if investors acted upon it, the price of the company's common stock was bound to fall.

The company said the unidentified individual or individuals called nearly all of Rally's restaurants in Louisville and Alex. Brown & Sons, the Baltimore brokerage, informing them that a corporate officer was going to sell more than 250,000 shares of stock.

The company notified National Association of Securities Dealers Market Surveillance Group.

Wood Co. division names Possinger vice president

ALLENTOWN, Pa. — Mitch Possinger has been named vice president of The Wood Co.'s newly formed Hospital Food and Nutrition Services Division.

In his new position, Possinger, 36, is responsible for developing the contract feeder's hospital business and supporting current hospital clients. He will report to Riad N. Dimechkie, the company's chief executive.

The Hospital Food and Nutrition Services Division was separated from The Wood Co.'s Healthcare division in January in an effort to better meet the specific needs of hospital clients. Long-term care, nursing home and retirement community business remain under the jurisdiction of the original Healthcare division.

The new division will target its services at hospitals with 100 to 400 beds in the Mid-Atlantic region. The division currently has 14 hospital clients and generates about \$30 million in sales.

Possinger has been with The Wood Co. for seven years.

Dunkin' Donuts inks deal with Wa Wa

RANDOLPH, Mass. — Dunkin' Donuts has signed a deal with Wa Wa, an Eastern convenience store chain, that could put Dunkin's products in some 440 C-stores by Memorial Day.

The arrangement will offer Wa-Wa customers doughnut and muffin offerings from self-serve counters. The doughnuts will be supplied by local Dunkin' Donut franchisees in respective Wa Wa markets throughout Pennsylvania and south New Jersey, northern Delaware and Connecticut.

Chevys launches company's drive into S. California

IRVINE, Calif. — "Fresh-Mex" specialist Chevys Mexican Restaurants of San Francisco has broken ground on a restaurant here and another in nearby Fountain Valley to kick off the 34-unit company's push into the highly competitive Southern California market.

Officials of the 6-year-old full-service chain have described the move into Southern California as a prelude to a public offering and expansion outside the state.

Mike Hislop, Chevys' chief executive officer, said the chain has hired Gregg Landauer to oversee the new south state operations, both of which are expected to open in May. Hislop, who was formerly executive vice president of operations for the El Torito Mexican dinner-house division of Restaurant Enterprises Group in Irvine, said Landauer formerly worked for El Torito and Irvine-based Red Robin, among other companies.

FINANCIAL NEWS

Ground Round promos aid 1st Q earnings boost

by Bill Carlino

BRAINTREE, Mass. — A December sales spurt sparked by a new short-term marketing promotion helped Ground Round Restaurants Inc. post a \$1.13 million net profit for the first quarter ended Dec. 29, eclipsing a \$13.8 million loss in the same period a year ago.

"We saw some real growth in sales and customer counts toward the latter end of the quarter," explained Bob King, Ground Round's senior vice president and chief financial officer. "It's been a very tough economic climate, especially in the Northeast."

The 201-unit dinner-house chain, based here, added that despite a modest climb of about \$400,000 in systemwide revenues last year, to \$54.4 million, operating income before interest expense rose 33 percent, to \$3.2 million, compared with the year-earlier figure.

The Ground Round's latest opening-quarter results were the chain's first as a stand-alone restaurant company following parent company GR Foods' move last year to spin off the casual-themed dinner-house chain as a separate entity.

The Woodbridge, N.J.-based parent concern, formerly known as GR Foods Inc., had also operated tuna and shrimp processing operations. During the separation it subsequently renamed the restaurant division Ground Round Restaurants Inc. and funneled the tuna and shrimp operations into a separate company called Mari-Farms Inc. The two concerns are both publicly traded.

Ground Round's first-quarter operating loss of \$14,000 a year ago was compounded by the \$13.7 million hit against earnings related to the parent

company's 1990 decision to reduce the book value of its tuna-processing subsidiary.

Systemwide revenues in the nine-month fiscal 1991 were \$162 million, compared with \$215.5 million for the preceding full year.

King attributed a portion of the opening quarter's encouraging bottom-line results to an enthusiastic customer reception of Ground Round's "Kids Pay By Degree" program — a "thermometer-driven" offshoot of the chain's trademark "Penny a Pound" promotion.

Running through the month of December, the meal check for kids less than 12 years old came to just one penny for each degree of outside temperature. The promotion was rolled out in the Ground Round's Boston, New York City, Minnesota and Iowa City markets.

As a result, in the more frigid Ground Round locations, when the temperature dipped below zero, the children ate for free.

Ground Round took over two units in the first quarter, in Livonia, Mich., and Columbus, Ohio, that had been managed by former Ground Round parent company Hanson PLC. Hanson's management of the stores had been part of the contract terms when it divested Ground Round to International Proteins in 1989.

"This is a concept that seems to work well," said analyst Caroline Levy, who tracks Ground Round for the New York brokerage firm of Shearson Lehman. "It makes both the parents and children feel comfortable because everyone gets what they want. The wait staff is trained to work well with children, and parents can order a cocktail. It's a no-compromise

dining [concept]."

Ground Round's first-quarter uptick follows a 1991 whirlwind year for the chain, whose milestones included a public offering, a change in financial reporting cycle and an intensified employee certification program.

In September, Ground Round issued 4.6 million issues of common stock, which netted about \$23 million for the company. Ground Round used the capital infusion to prepay bank debt and repurchase the company's outstanding subordinated debentures.

As a result of the reorganization, the company opted to change its financial reporting from a calendar year to a fiscal one, which will end on the final Sunday in September.

Last year the chain accelerated its certification and training programs for both hourly and management level employees and continued its ongoing reduction in operating costs by consolidating regional management. Ground Round said it slashed an estimated \$1.8 million in operating costs in 1991.

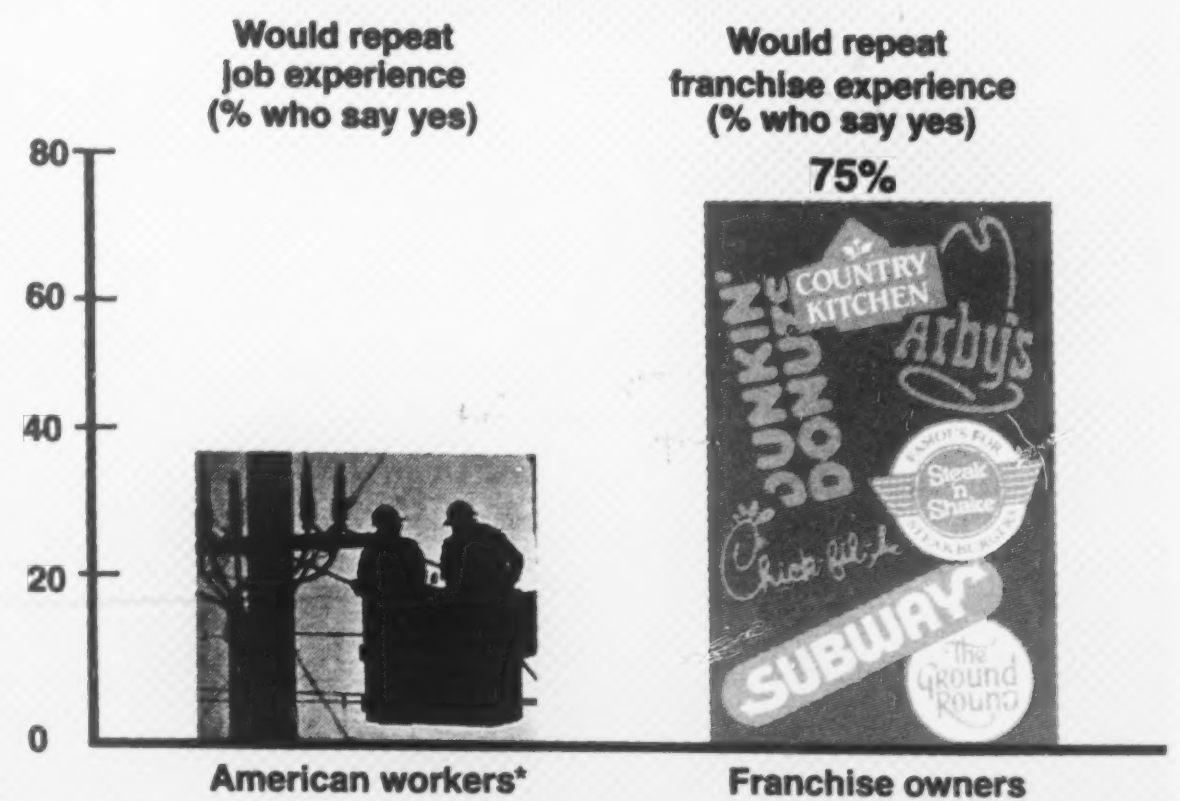
"We've been gradually refocusing our operation in order to provide better service to the field and to the customer, and that's reflected on our balance sheet," King explained.

Ground Round also broadened the appeal of its menu with an array of light items, including a grilled chicken Caesar salad, a tuna steak salad, a tuna steak sandwich and a series of daily specials titled "Made From Scratch."

King reported the chain is now rolling out a 12-ounce center-cut sirloin steak carrying a price point between \$9.95 to \$10.95 depending on the market and a new dessert menu.

FACT FILE

American workers vs. franchise workers Who's happiest at work?



* Results are based on a national Gallup poll of n = 783 Americans, 18 and older, who held jobs. The poll was conducted in July 1991 with a plus/minus 4% error range.

Source: International Franchise Association

FINANCIAL DIGEST

Cracker Barrel 2Q net up 76%; stock splits

LEBANON, Tenn. — Cracker Barrel Old Country Stores said its net income soared 76 percent in the second quarter ended Jan. 31, to \$5 million, on a 35-percent gain in revenues, to \$89.2 million, compared with figures for the same period last year.

On the heels of the strong results, the company declared a three-for-two stock split, to be completed in the form of a 50-percent stock dividend, in shares to be distributed later this month. Fractional shares will be paid in cash.

Cracker Barrel reported that its first-half net income jumped 58 percent, to \$12.4 million, on a 34-percent gain in revenues, to \$180.8 million, over the figures for the comparable-year-earlier period.

Perkins '91 net up 15% despite Fla. slump

MEMPHIS, Tenn. — Despite flat-to-negative sales growth in Florida — once Perkins Family Restaurants' most promising market — the chain said its annual net income jumped 15 percent in the year ended Dec. 31, to \$15.2 million, on a 4-percent gain in revenues, to \$180.5 million.

Perkins said same-store sales rose slightly for the full year and increased 2.4 percent in the fourth quarter. Net income increased 26 percent in the closing quarter, to \$2.6 million, on a 9-percent rise in revenues, to \$44 million, compared with results for the year-earlier period.

The company said revenues would have been stronger were it not for the Florida market, where 22 units have been reporting flat to negative sales trends. Donald N. Smith, chairman and chief executive officer, credited the company's fifth straight year of double-digit profit gains to "quality management" and predicted Perkins would "take maximum advantage of the expected improvements in the overall economy in the second half."

ShoLodge Inc. IPO raises \$19.6 million

GALLATIN, Tenn. — ShoLodge Inc., a Shoney's restaurant franchisee best known for its Shoney's Inns hotel division, raised \$19.6 million in an initial public offering.

The company's first-day sales exceeded 1.4 million shares in the over-the-counter market, with the stock rising from an opening price of \$3 a share to close at \$17. ShoLodge said the proceeds would be used to develop Shoney's Inns and Shoney's restaurants and to pay back debt.

Formerly known as Gulf Coast Development Inc., ShoLodge bought the entire Shoney's Inns budget lodging division from Shoney's Inc. last June for an undisclosed cash sum plus a portion of future revenues and stock. ShoLodge operates 18 of the hotels in the 59-unit chain as well as seven Shoney's restaurants.

Frisch's posts 113% 2Q net gain, to \$2M

CINCINNATI — Frisch's Restaurants, a Big Boy franchisee with fast-food and hotel operations, said its net income in the second quarter ended Dec. 15 rose 113 percent from year to year, to \$2 million.

But the closing or selling of 16 units in Florida and some Southwestern markets pulled revenues down 5 percent, to \$31 million, compared with comparable quarterly results a year earlier.

Frisch — the operator of 86 Big Boy restaurants, eight Hardee's, one Roy Rogers, two Prime 'n' Wine restaurants and two Quality Hotels — said profit gains resulted from closures of poorly performing restaurants, lower food costs and reduced overhead.

The company said first-half net income jumped 108 percent, to \$2.9 million, on a 15-percent decline in revenues, to \$75.6 million.

FOOD PRICE OUTLOOK

Some prices move up; others, down

by Patt Patterson

There's been quite a bit of price movement in frozen vegetables in the past several weeks. To summarize: **Frozen potato prices** moved up by two to three cents per pound. Prices for **frozen peas** have moved down about three cents per pound this month. **Frozen broccoli** is down by three to four cents per pound. **Frozen cut corn** is down about three cents a pound.

Egg prices are running well below last year's. As we get closer to Easter, however, prices should move upward on strong consumer demand, which will tighten egg supplies to foodservice.

The price for **green coffee beans** is running more than a third off last year's quotes at

this time. Strong supplies in Brazil and Colombia, combined with normal spring slacking off in demand, mean low prices for several months, according to the trade. That probably won't translate into lower ground coffee prices very soon, however, because roasters stocked up for winter at earlier higher prices.

Although **beef prices** haven't quite hit last year's levels, supplies are tighter and placement of cattle on feedlots is down. Some observers expect feedlot populations to increase in the spring, but others believe there will be a tight supply until fall.

Pork prices continue stable. Producers continue to bring hogs to market, and supplies

are ample. Although prices to farmers are lower, they are still providing positive cash flow and some profit margin. Farmers' intentions seem to be to continue breeding.

Lettuce prices moved up in early March, but that may change when the harvest starts moving northward again. The Blythe-Coachella area has now started producing, and it won't be long before crops will be harvested in the central San Joaquin Valley of California.

Strawberry damage from the heavy rains in mid-February was light, and the harvesting is moving northward to the Watsonville region. Fresh strawberries should be in strong supply next month.

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Rally's acquires Zipps

by Milford Prewitt

LOUISVILLE, Ky. — Rally's, the rapidly growing double-drive-thru hamburger concept, is expanding its market penetration by agreeing to pay \$12 million for Zipps, a St. Louis-based competitor.

Rally's has signed a letter of intent to pay cash for the 45-unit concept, of which 29 are company-operated.

The Zipps purchase is the third time within the past 16 months that Rally's has acquired a segment competitor with the long-range plan of converting it to Rally's.

The 338-unit chain — which bills itself as "the fastest-growing hamburger chain in America" — bought the 43-unit Snapps Drive-Thru concept in Columbus, Ohio, in November 1990 and the 19-unit Maxie's of America in Tallahassee, Fla., last spring.

"We know the double-drive-thru hamburger restaurant is the quick-service concept for the '90s," said Robert W. Gontram, president and founder of Zipps, in a statement. "This transaction allows us to become part of America's 'fastest-growing hamburger chain' and enables our franchisees to participate in the continued growth of the dominant double-drive-thru."

(See RALLY'S, page 47)



NRN Photos

Jean-Luc Heiz, left, and Irama Neri-Heiz inside their popular St. Germain Bakery-Cafe, which opened six months ago in Chicago.

French-style cafes enjoy revival in Chicago area

by Carolyn Walkup

CHICAGO — The recent opening of several French cafes here is dispelling the notion that Gallic-flavored restaurants have fallen out of favor in these cost- and health-conscious times.

Inexpensive menus, casual service and lighter cuisine — terms not generally associated

with most French restaurants operating in this part of the country — are key to the growing acceptance of French cafe-style operations that have opened here in the last 15 months.

The French-born owners of Kiki's Bistro and St. Germain (See FRENCH, page 4)

Health-care bright spots: Fla., Minn.

New state legislation targets affordable employee coverage

by Robin Lee Allen

TALLAHASSEE, Fla. — Industry watchdogs in Florida and Minnesota are cautiously embracing new state programs that could make employee health insurance more affordable for small businesses without mandating across-the-board coverage.

A new law in Florida is designed to first help the state's insurers make health insurance less prohibitive to employers although it does include a provision resorting to mandated benefits in 1995 should that fail.

A Minnesota bill proposes giving health insurance to uninsured workers through a system of subsidized premiums paid for with a new cigarette tax and a surcharge on health services. State leaders have said they will pass the bill.

Meanwhile, California, Illinois, New Jersey and Washington — among some 30 other states currently studying

health insurance proposals — are also close to enacting legislation.

While almost no one faults the premise of universal health insurance, lobbying groups for employers, like the National Restaurant Association, are wary that legislation at both state and federal levels will unfairly force employers to eat the cost of health insurance by mandating the benefits. Such mandates could drive many employers with a small number of employees out of business, they contend.

"Basically, the association is concerned that employers will be solely responsible for providing health coverage no matter what the cost," said Linda Way, the NRA's legislative analyst for state relations. "Between part-time employees and the high turnover rate, this means serious cost concerns for the restaurant industry."

(See HEALTH, page 46)

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Stakes go up in federal seafood inspection push

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NRA purchasing course: A learning experience

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Cutting-edge dining at Sun Microsystems

Business & Industry/Page 29

KFC tests all-you-can-eat buffet in Ark.

by Jack Hayes

LITTLE ROCK, Ark. — In an effort to reinforce its value message, KFC Corp. is joining at least three area franchisees to test-market a \$3.99 all-you-can-eat lunch and \$4.99 dinner buffet throughout Arkansas.

The afternoon and evening food bar special — first tested by KFC of Searcy, a seven-unit franchisee based 60 miles northeast of the capital here — offers more than 30 hot and cold food items, including several vegetables, salads and desserts that are new to the KFC menu.

"We've seen some pretty good sales increases from the buffet, and we're expecting to try it in more restaurants," said KFC spokesman Richard Detwiler.

The Louisville, Ky.-based

KFC Corp., which began running the buffet in two company stores in Little Rock, plans to expand the test into as many as 10 units by June 1, when television advertising kicks in to promote the food bar statewide.

While the buffets vary from unit to unit, items include pieces of KFC Original Recipe and Extra Crispy chicken, chicken-fried steak, livers and gizzards, green

beans, niblet corn, hominy, chocolate and vanilla pudding.



KFC touts its all-you-can-eat buffet bar.

Fruit cobblers also are being offered at franchisee units.

KFC of Searcy introduced the first food bar in a renovated unit in Paragould, Ark., in late 1989. After watching that unit chalk up double-digit increases for two years, the Searcy group added the buffet to its six other stores.

"I guess if we had to name this thing, we'd call it 'The Billy Ball All You Can Eat Buffet,'" said KFC of Searcy operations vice president Bob Mosesso, referring to his boss, who assembled the first KFC food bar.

Since then, 17-unit KFC of North Little Rock also tested the food bar and is now rolling it into all of its restaurants.

Separately, 27-unit Fowler (See KFC, page 4)

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Vol. 26, No. 14

April 6, 1992

NEWS BRIEFS

Disney Co. quits fast-food tests, Queen Mary lease

BURBANK, Calif. — The Walt Disney Co. has closed its two Mickey's Kitchen prototypes — in Montclair, Calif., and Schaumburg, Ill. — and abandoned plans to launch a chain of the fast-food restaurants as adjuncts to its growing Disney Store operation.

The shopping-mall-based restaurants, which opened in 1990, featured kinetic displays of Disney characters and such items as meatless Mickey Burgers, Pinocchio's Pizza, Supercalifragi-Chicken salad and Mousketeer Meal packs. Disney officials said results of the tests did not justify the management attention they required.

In other Disney news, the Burbank-based company said it would pull the plug in September on its unprofitable lease for the floating Queen Mary hotel and tour and the adjacent Spruce Goose flying-boat exhibit in Long Beach, Calif. Disney said it was ending its multi-million-dollar investment in management of the two attractions because financial projections "do not justify continued heavy promotional and capital expenditures."

LA Council rejects smoke ban, pushes seating compromise

LOS ANGELES — Opponents of proposals to ban smoking in Los Angeles restaurants prevailed for the second time in little over a year as the City Council rejected the latest measure but approved a compromise plan to allocate more seats to nonsmokers.

On an 8-to-7 vote, the council ordered the city attorney to draft a law that would require each restaurant to label itself either a smoking or nonsmoking establishment. Those allowing smoking would have to increase nonsmoking sections from the current 50-percent requirement to 60 percent of all seats.

The 60-percent allocation would be increased to 70 percent by July 1994 under the measure, which would become law this summer if passed by the full council.

Chicago's mayor endorses gambling, \$2 billion casino

CHICAGO — Mayor Richard M. Daley has endorsed a controversial proposal to bring casino gambling to Chicago, which was selected as the site for a \$2 billion gaming and entertainment complex proposed by a consortium of Circus Circus Enterprises, Hilton Hotels Corp. and Caesars World.

Illinois Gov. Jim Edgar has expressed his opposition to the proposal to launch legalized gambling at the planned 100-acre complex. State laws currently prohibit casino wagering in Illinois.

Eric Jensen, executive director of the Illinois Restaurant Association, favors the propos-

al. "We think it's good for tourism, the city and conventions," he said. "We have lost a lot of convention business to Las Vegas. The idea is good. Let's explore it."

Big Boy founder Wian injured in car accident

NEWPORT BEACH, Calif. — Robert C. Wian, who founded the Big Boy restaurant chain in 1936 in Glendale, Calif., and later was that city's mayor, was upgraded from critical to serious condition after being hospitalized here following a traffic accident.

Wian, 77, a Newport Beach resident, was transferred to a private room after several weeks in the hospital's intensive-care unit, during which time he was said to be unconscious. Wian family members could not be reached for comment on his condition.

Originally called Bob's Pantry, Wian's first restaurant was renamed Bob's Big Boy and was known for introducing a double-deck hamburger on a seeded bun. The place spawned the national Big Boy chain, which Wian sold to Marriott Corp. in 1967.

Tolbert resigns as vice chairman of Vie de France

MCLEAN, Va. — Richard M. Tolbert, vice chairman of the Vie de France Corp., has elected not to renew his employment contract when it expires at the end of the fiscal year on June 30, the company said.

Jean-Louis Vilgrain, chairman of the bakery-cafe operator and sous-vide food manufacturer, said Tolbert's desire to pursue other interests stemmed from Vie de France's recent sale of its wholesale bakery division, which was Tolbert's main interest when he joined the company in 1987.

Tolbert said his future plans are uncertain, but that he expects to assist the company with a management transition. He said he was asked to remain on Vie de France's board of directors for at least two more years.

Morrison's Beall to succeed Bishop when CEO retires

MOBILE, Ala. — Samuel E. Beall III, the president and chief operating officer of Morrison Inc., has been named to succeed Eugene E. Bishop when he retires as the company's chief executive on June 6.

Bishop, 61, will continue as chairman and remain on Morrison's payroll for an additional year to support Beall and head other special projects, the company said. A 45-year veteran of the contract foodservice and restaurant company, Bishop joined Morrison as a serving line assistant in Savannah, Ga., when he was 16. He became president and chief operating officer in 1979 and then chief executive in 1980.

Beall, who founded the Ruby Tuesday casual-theme chain in 1972 and sold it to Morrison in 1983, became the company's president and operations chief in 1985.

Little King chain being sold, grown

OMAHA, Neb. — Officials of Little King, a 90-unit submarine sandwich chain based here, said the company is being sold to an unidentified buyer seeking a rapid expansion.

Sidney Wertheim, the 25-year-old chain's founder and former president, said the buyer wants to expand Little King faster than he did. "I preferred a slower mode," Wertheim said. "That's how we were able to stay in business for 25 years."

Senior vice president Lou Urbano, who is expected to become president under the new ownership, was not available for comment. Wertheim said he and his son will become area developers and franchisees, taking over 12 existing Little King units.

BK, Disney launch Roger Rabbit promo

MIAMI — As part of its new partnership with Walt Disney World Resorts, Burger King is promoting a national scratch-off card game featuring the character Roger Rabbit.

The Burger King Hidden Surprise Game, which started March 30, will run through May 3, and it will offer total prizes in excess of \$90 million. The game requires players to scratch off two matching spots on a card. Every card contains a match, so all players can be a winner.

Major prizes include 200 trips for four to Walt Disney World, \$100,000 in cash and hundreds of free Burger King signature menu offerings.

As part of the promotion, BK restaurants will feature a series of four 32-ounce Walt Disney World 20th Anniversary Collector Cups offered by Coca-Cola.

Burger King teamed up with Walt Disney several months ago for what is expected to be a year-long series of promotions recognizing the 20th anniversary of Walt Disney World.

KFC launches Oriental Wings

LOUISVILLE, Ky. — Kentucky Fried Chicken has introduced Oriental Wings, the latest menu addition in the chain's "in-and-out" or limited-time-only product category.

Following soon after the popular Hot Wings and Honey BBQ Wings roll out, Oriental Wings are deep-fried frozen chicken wing pieces, covered with a sweet teriyaki-flavor coating. The company said the wings were tested for eight weeks in the San Diego, Norfolk, Va., and Detroit markets, and showed double-digit sales gains. The wings, which will be offered for the month of April, will be available at about 5,000 company and franchised units.

FINANCIAL NEWS

Back Bay clears debt, focuses on expansion

by Theresa Howard

BOSTON — Cash rich after raising \$28.7 million in an initial public offering, Back Bay Restaurants has paid off \$18.4 million in debt and is now embarking on a plan to expand the multiconcept company's Italian operation, Papa Razzi, into new East Coast markets.

Back Bay founder Charles Sarkis, aided by underwriters Tucker Anthony Inc., sold 1.7 million shares, or about 49 percent, of Back Bay's stock. Sarkis, who retained a 7-percent stake in the company he launched 27 years ago, said going public was the best method to expand without "losing control," as one might in a franchising program.

"With the quality we need to put out, we need to control it," said Sarkis, who is Back Bay's chairman, president and chief executive. "Right now the multiples were very good, and restaurant stocks have a good following."

In the IPO Back Bay sold shares at \$17 and traded as high as \$20 during its first couple of weeks as a public entity.

Currently, the company owns and operates 21 restaurants. Among them are three Italian-themed Papa Razzi restaurants; two branches of Rayz Cafe, a Mediterranean-themed concept that features seafood, pasta and a mix of grilled items; and a string of 15 American-themed restaurants that operate under such names as Charley's Eating & Drinking Saloon, Joe's American Bar & Grill and J.C. Hillary's Ltd. The company also owns and operates one Famous Atlantic Fish Co. restaurant.

Back Bay, whose restaurants are predominantly located in the Greater Boston area, has targeted for five new store openings this year such new markets as Connecticut; West-

chester County, N.Y.; New Jersey; and Washington, D.C.

"We are focusing mainly on Papa Razzi, but as we go along, we'll look to expand the other concepts as well," Sarkis noted, adding: "It's great to have equity in our company and to have the investors behind us. I just hope we'll be able to perform. But we will."

The company's past performance has helped produce a healthy balance sheet. Net income in 1991 was \$1.1 million, up about 75 percent in a year-

lion in annual sales. But Papa Razzi's lower food costs and higher profit margins have made that concept the intended expansion vehicle for Back Bay as a public company.

Sarkis said Papa Razzi's food costs average 25 percent compared with 31 percent to 32 percent for the other restaurants. Though he said Papa Razzi also yields higher profit margins, he declined to disclose those figures.

At a time when many operators in the recession-weary Northeast still are troubled by soft sales, Back Bay's flagship concept was able to exploit its strengths in service, Italian fare and value — three elements that have proved popular for such restaurant companies as General Mills' Olive Garden.

Per-person checks average \$10.06 at lunch and \$16.43 at dinner at the Papa Razzi restaurants. Back Bay's American concepts generate per-person lunch checks of \$8.87 and dinner checks of \$13.18. Both figures include beverage, Sarkis noted. At Papa Razzi guests receive complimentary breadsticks and garlic rolls, and entrées are served with salads. At any of the American establishments, guests can receive a hamburger platter garnished with lettuce, tomato, pickle and served with fresh-cut, daily made french fries for \$5.25.

Sarkis is hoping that the company's new stock option program — opened up to regional and general managers and chefs — will help Back Bay in its recruiting and staff-retention battles with competitors. "Now they are all in the same boat," Sarkis noted, referring to his managers. "This gives them the opportunity to make money for themselves over the long term."



to-year comparison, on total sales of \$56.5 million, an 11.5-percent annual gain.

Per-store sales for the 18 restaurants operating during fiscal 1991 averaged \$2.7 million. Two Papa Razzi restaurants opened during the second half of the year, however, are expected to boost those averages with their annualized sales rate of between \$3.1 million and \$3.2 million, Sarkis said.

Sarkis said he is very "comfortable" with comparable-store sales results for 1991. Those figures were not available as of late last month.

The company's American-themed restaurants boast solid sales figures as well, with the company's two Joe's American units averaging about \$4.1 mil-

FACT FILE

WHO'S making WHAT?

(1992 salaries of restaurant/fast-food corporate executives, approximated to the nearest \$1,000)

Title	Low	Median	High
Chief operating officer	60	85	108
Div. manager (corp.)	63	69	100
Regional mgr./VP	47	60	69
Marketing dir. (chain)	43	52	70
Controller (chain)	43	52	67
Controller (single unit)	36	46	50
Personnel director	46	49	62
Training director	33	48	58
Purchasing director	36	44	65
Real estate manager	40	48	52

Source: Roth Young Wage & Salary Review

FINANCIAL DIGEST

General Mills chains post sharp 3Q rise

MINNEAPOLIS — Red Lobster and Olive Garden rewarded General Mills' restaurant division with a 24-percent year-to-year gain in third-quarter operating income, to \$46.8 million, on a 13-percent gain in revenues, to \$619.8 million, for the period ended Feb. 23.

The chains' higher check averages, stronger unit margins and new-unit expansion were credited for the division's improved results.

Through the first nine months, operating profit and restaurant sales grew 3 percent and 14 percent, respectively, over the prior year's comparable period as operating income hit \$121.2 million and sales reached \$1.84 billion.

During the third quarter, Red Lobster and Olive Garden opened a combined total of 44 new restaurants, giving them a total of 87 for the year to date and bringing their combined operating total to 927 restaurants. The company plans to open another 35 restaurants in the fourth quarter.

Debt-strapped REGI seeks refinancing

IRVINE, Calif. — Restaurant Enterprises Group Inc. said it is considering a public stock offering or the sale of one of its divisions to relieve the financial burden of \$267 million in junk-bond debt on which the chain operator is paying 12-percent interest.

Norman Habermann, chief executive of the 607-unit parent company of El Torito, Coco's, Carrows, Casa Maria, Bob's Big Boy, Reuben's and Charley Brown's, told the Orange County Register that the company's "No. 1 goal in 1992 [is] finding a creative way to restructure." REGI's debts stem from a management-led leveraged buyout of the former W.R. Grace restaurant group in 1986.

REGI last month reported a fiscal-1991 net loss of \$28.3 million on sales of \$869.9 million, a 4-percent sales decline from the prior-year figure. The company posted a net loss of \$27.5 million in 1990. Net interest expenses were \$42.3 million last year, compared with \$43.3 million in 1990.

The company said its family-restaurant division scored a 6-percent revenue gain last year, while American-themed dinner houses sustained sales declines of 7 percent and Mexican dinner houses dipped 3.5 percent.

TCBY's losses widen to \$1.4M in 1st Q

LITTLE ROCK, Ark. — Despite an offsetting \$300,000 gain from an income tax change, TCBY Enterprises lost \$1.39 million in the first quarter ended Feb. 28, on a 22-percent drop in revenues, to \$18.4 million, compared with last year's opening period.

The company attributed the decline in revenues to fewer company-owned and franchised stores operating in the first quarter vs. a year ago. Systemwide, unit counts fell from 1,819 stores in the year-ago quarter to 1,675 in the current reporting period.

Systemwide sales for the quarter fell 8 percent, to \$47.1 million.

Soliman's ARG completes refinancing

NEWPORT BEACH, Calif. — American Restaurant Group, the highly leveraged parent company of the Stuart Anderson's Black Angus, Grandy's, Spoons and Spectrum Foods chains, said it had completed a debt refinancing by issuing \$120 million in senior secured notes through BT Securies and Merrill Lynch & Co. and by obtaining a \$66 million term loan and working-capital facility through Bankers Trust Co.

Chairman Anwar Soliman said the refinancing began last July with the placement of \$45 million in subordinated debt with Merrill Lynch, with proceeds used to repay 1987 leveraged buyout debts and the purchase of certain warrants as well as to fund expansion and working-capital budgets.

FOOD PRICE OUTLOOK

Higher processed vegetable prices

by Patt Patterson

The supply of canned green beans was tight before the U.S. Department of Agriculture purchased 400,000 6/10 cases in early March. Now the market is tight. Expect higher prices until the new pack . . . Frozen broccoli and cauliflower imports were down sharply last year, but even though Mexican imports account for a large and growing share of U.S. consumption, prices have not reflected the drop. If shipments don't pick up this spring, however, expect prices to go up.

Imports of canned pineapple, on the other hand, are up, with prices trending lower . . . Frozen strawberry imports are down, but West Coast in-

ventories are strong and some Northwestern packers are shading prices to reduce stocks before canning gets under way this year.

The spread between cold-water lobster tails from Australia and the lower-priced, warm-water Brazilian tails is running about 30 percent. No big movement in price is seen through the end of spring.

The future of coffee pricing is still dependent upon the International Coffee Organization's getting cooperation on setting quotas. Up to now Brazil and the United States have been the big hurdles to a quota agreement. However, rumor says that back-room discus-

sions are going on with both countries and that the ICO hopes to get an agreement going by the end of spring. That will kick coffee prices up.

Since lettuce production has moved from the Imperial Valley into the San Joaquin Valley, iceberg prices have dropped to minimal levels. The effect is also felt on leaf lettuces, although the drop has not been as sharp.

The news about a cancer-inhibiting chemical in broccoli has increased movement and has pushed the price up on that vegetable. Sulfuraphane is also found in other members of the cabbage family, researchers at Johns Hopkins Medical Center say.

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A Capitol battle

Industry swarms to Sacramento in lobbying blitz

by Alan Liddle

SACRAMENTO, Calif. — Alarmed that pending legislation could cripple their businesses and lead to widespread layoffs, more than 160 California restaurateurs and suppliers descended on the state Capitol to plead their case and otherwise buttonhole and cajole lawmakers.

Topping the list of concerns mentioned by most of the amateur lobbyists were bills that would require employers to provide workers with health-care insurance.

But skyrocketing workers compensation insurance costs and threatened reductions in the business meal deduction also troubled many operators.

"We're at the point where the employer community is going to get really mad," Pasadena operator Michael R. Hawkins warned Sen. Newton Rus- (See SACRAMENTO, page 49)



From left: Michael Franks, co-owner of Fino, Torrance, Calif.; Carol Roberts, GM, and Paul Hennessey, owner, of Hennessey's Tavern Inc., Redondo Beach; and John L. Bowler, publican, Fat Face Fenner's Falloon, Hermosa Beach.

Operators eye new wild card in video poker

by Robin Lee Allen

Video poker machines could become as familiar as jukeboxes in restaurants and taverns if cash-strapped states turn to legalized computer gambling to solve their budget woes.

Already legal in South Dakota and Montana, video poker machines are expected to soon spring up in restaurants, bars and hotels in Louisiana and Oregon, where legislation was recently approved.

Moreover, lawmakers from 24 other states — including New York, Illinois, Massachusetts, New Jersey, New Mexico and Florida — have introduced similar bills in their legislatures.

In the two states where the machines are legal, restaurateurs say that video poker can be a lucrative form of alternative income — in some cases adding more than \$18,000 per machine annually to the bottom line.

"Video lottery is designed

to make money," declared Paul Van Bockern, co-owner of the three Minerva's restaurants in Sioux Falls, S.D. "You always end up making money. It's designed for them [the customers] to lose. Sometimes they win, but if you're going to play, you're going to pay."

However, critics charge that the games also could cannibalize foodservice sales if customers feed the machines more often than they feed themselves.

"There's been the question raised that if these are indeed discretionary dollars, will the customers take the dollars used to eat out and put them into these machines?" observed Fred G. Sampson, president of the New York State Restaurant Association, in whose state legislation was recently introduced. "It's always a possibility, but I'm not sure how valid it is."

(See VIDEO, page 4)

INSIDE

Chefs 'spring' into action

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The many faces of bar munchies

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Segment Study/Page 25

Leadership books stress vision and strategy

Schrader/Page 34

SOS raises \$2.5 million for hunger relief

Chefs, operators in US, Canada unite at Taste of the Nation

by Milford Prewitt

The annual outpouring of restaurant goodwill called Taste of the Nation raised more than \$2.5 million for hunger relief and related charities during the week-long star-studded series of food and wine events.

The 5-year-old event lived up to its growing reputation as the restaurant industry's largest charity gala as more than 4,000 chefs representing 2,000 restaurants from a total of 99 cities across the United States and Canada came together to assist 175 hunger relief charities worldwide.

Although the \$2.5 million fell about \$275,000 shy of the group's goal, executives of Share Our Strength, the organizers of Taste of the Nation, are confident that the total amount raised ultimately will top \$3 million when another 18 cities — which were unable to hold the events because of scheduling conflicts during the official week of March 30 through April 6 — conduct their



Left: Joel Ross, Metro Center Grille, Washington, serves crowd at Union Station. Right: In New York, Sign of the Dove owner Berg Santo, left, helps exec chef Andrew D'Amico and assistant Maggie Ruggiero dish out aged beef rib-eye aboard the World Yacht.



NRN Photos

Taste events between now and June.

Nevertheless, SOS organizers and participants said they were gratified that in the second year of a recession — one that has been particularly tough on restaurants and food-

service operators — this year's Taste of the Nation was bigger than ever before.

"I think one of the reasons we've become so successful is that people are finding SOS a very effective and efficient way to contribute to a good cause,"

said Bill Shore, SOS founder and executive director. "The enthusiasm from the contributors and the pride of the restaurants and foodservice operators is a force that is building on itself."

Unlike many charitable (See SOS, page 49)

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April 20, 1992

NEWS BRIEFS

Pizza Hut buys 236 stores from franchisee PMI

WICHITA, Kan. — After a five-year-long battle, Pizza Hut Inc. has reached an agreement to acquire all 236 pizza outlets from the company's largest franchisee, Pizza Restaurant Management Inc. in San Antonio.

Details of the transaction were not disclosed.

PMI, led by Arturo Torres, had waged a bitter legal dispute with the PepsiCo-owned subsidiary over PMI's insistence on going public. Torres dealt Pizza Hut a blow last fall when he began serving Coca-Cola beverages at his restaurants.

Menu prices up 2.6% in March, government says

WASHINGTON — Menu price inflation slowed to 2.6 percent in March on a 12-month unadjusted basis after rising by 2.7 percent in February and 2.9 percent in January, according to the Labor Department's Consumer Price Index.

At the same time wholesale foods costs declined 1.4 percent in March — even though several vital food commodities increased — according to the department's Producer Price Index.

Overall, the CPI, the leading gauge of the cost of living, rose 3.2 percent on an annual, unadjusted basis in March.

Grocery store prices were up just 1.1 percent in March.

McDonald's plans McLean revamp

OAK BROOK, Ill. — McDonald's is planning to change the ingredients in its low-fat burger, the McLean Deluxe, to make it "more flavorful and juicier," the company said in its annual report.

The reformulation comes nearly a year after the revolutionary low-fat burger was first introduced, utilizing carrageen, a seaweed extract used for moisture retention.

The change in the McLean Deluxe was one of many McDonald's said it was contemplating in its unit operations. The world's largest restaurant company said it is also looking to install fixings bars, movable seating and an easier-to-read menu board.

Burger King to sell Burger King Dist. to Canadian firm

MIAMI — Just two weeks after forming a franchisee-managed buying co-op, Burger King has reached an agreement to sell its in-house distribution department, Burger King Distribution, to a Canadian venture capitalist group.

Once known as Distron, BKDS will become a subsidiary of Onex Corp., a mergers, acquisitions and leveraged buyout concern. Terms of the deal are

pending regulatory approvals and completion of financing agreements that are not expected to be finalized before the end of June.

BKDS, with 1,500 employees and 21 distribution centers nationwide, distributed food and paper products throughout the BK system. Its name is expected to change, but it will continue to be based in Miami and serve the BK system with the same personnel.

Burger King Purchasing, the corporate buying arm that sourced product for BKDS, is expected to dissolve with the formation of Restaurant Services Inc., a franchisee-dominated purchasing co-op that assumes all of BKP's authority for negotiating with approved suppliers.

NJ operators fume at veto of phased 80-cent wage hike

TRENTON, N.J. — To the distress of New Jersey restaurateurs, Gov. Jim Florio has vetoed a bill that would have phased in over two years the 80-cent-per-hour increase in the state's minimum wage that took effect on April 1.

Florio's expected veto came after the 80-cent boost lifted New Jersey's minimum wage to among the nation's highest, at \$5.05 per hour. The federal minimum wage is \$4.25 per hour.

The vetoed bill, which provided for a 40-cent increase on April 1 and a comparable hike next April, was introduced by Assembly Republicans who fear that the sudden shock of an 80-cent increase will drive businesses from the state. Although Republicans control the state Assembly, they are thought to be reluctant to ignite constituent ire by overriding the Democratic governor's veto and taking away money already in workers' pockets.

Merrill Lynch files reorganization plan for Copeland Ent.

AUSTIN, Texas — Unsecured lender Merrill Lynch has filed a new reorganization plan in the battle to restructure and control the future of Al Copeland Enterprises. Meanwhile, a group led by senior subordinated lender Canadian Imperial Bank of Commerce has proposed former Arby's president Frank Belatti as ACE chief executive if the group's plan is accepted by the bankruptcy judge here.

ACE is the franchisor of the Popeyes and Church's fried-chicken chains.

Merrill Lynch's newest plan would give the lender a 34-percent stake in the reorganized ACE, while the CIBC group would own 66 percent of ACE and continue to hold \$258 million in secured debt. ACE would also pay Copeland royalties for his secret spice recipe while continuing to purchase goods from a Copeland-controlled spice company.

At the same time the CIBC group has petitioned the bankruptcy court to add former Arby's executives Belatti, Kam

Nassar and Richard Holbrook to its reorganization plan, with Belatti becoming president and chief executive.

National closes 186 stores, halts taco pizza installations

HOUSTON — National Convenience Stores Inc., which is operating its Stop N Go convenience store chain under Chapter 11 bankruptcy protection, has closed 186 of the stores and halted installations of Taco Bell and Pizza Hut counters because of a lack of capital.

The company, which runs the licensed taco and pizza outlets at about 15 Stop N Gos, had planned to expand the program to more than 100 stores.

National still has 808 C-stores in operation following the closures. The cash-strapped company said it recently was granted an extension on repayments of an \$8 million loan it obtained after the Chapter 11 filing.

Ex-Carl's VP Perry buys Kelly's chain

IRVINE, Calif. — Raymond J. Perry, the former executive vice president of Anaheim-based Carl Karcher Enterprises and its Carl's Jr. fast-food chain, has acquired the majority ownership of the 20-unit Kelly's Coffee & Fudge Factory coffee-house chain.

Perry, the presumed heir apparent to the Karcher presidency until his abrupt firing late last year, indicated that Kelly's would be expanded rapidly over the next three years to capitalize on a booming interest in gourmet coffee and coffee houses. The chain's in-line and food-court branches, all of which are franchised, have in-store bakeries and sell candies, espresso-based beverages and coffee beans roasted in the company's own plant.

Terms of the purchase were not disclosed, but Perry is known to have sold about \$520,000 worth of Karcher stock during February and March.

Benihana investors charge judge with misconduct

NEW YORK — A group of dissident shareholders of the Benihana chain has filed a complaint with the Florida Judicial Qualifications Commission, alleging judicial misconduct by a Broward County circuit judge.

The complaint asserts that Judge Patti Englander Henning approved an unauthorized settlement of the shareholders' lawsuit, which was brought against officials of the 49-unit Japanese dinner-house operation two years ago.

The suit accused several Benihana executives, including chairman Rocky Aoki, of manipulating funds and causing more than \$22 million in losses. Henning declared the suit settled last November.

Benihana has since charged the shareholders with "waging a personal campaign to hurt the company."

FINANCIAL NEWS

When the market's hot, restaurant IPOs sizzle

by Milford Prewitt

WASHINGTON — The number of restaurant companies flooding the market with first-time public stock offerings so far this year equals all of the industry's new initial public offerings registered during 1991.

Nine companies already have become publicly traded entities or are now in the registration process with the Securities and Exchange Commission.

Last month alone eight of the nine companies either completed their initial public offerings or entered the pipeline to do so. Three companies, in fact, filed on the same day.

In a related trend, four companies that had previously gone public have filed to issue new shares of common stock — including Bertucci's Brick Oven Pizza, which completed its initial public offering only last year.

"It's a simple principle at work here: You stroke the market when the market is hot," said Craig Weichmann, an analyst with Morgan, Keegan. "The market has shown a strong receptivity to new issues, even for those companies that are coming back [as publicly traded concerns] like Foodmaker."

Among the companies that have filed stocks with the SEC are Sfuzzi, the Dallas-based Italian dinner-house chain; Krystal Restaurants, the 219-unit, Chattanooga, Tenn.-based burger operator; DF & R Restaurants, a Bedford, Texas-based operator of 19 restaurants in the Tex-Mex and steak-house segments; Longhorn Steaks, the Atlanta-based steak-house chain; and International Fast Foods, a Miami-based fast-food franchisor in Poland.

Completing IPOs are Foodmaker; ShoLodge, a franchisee of Shoney's Inns and restaurants; Lone Star Steakhouses; and Back Bay Restaurants.

The total volume of the nine IPOs either in the pipeline or finished so far this year could potentially top \$412 million in new capital that the operations intend to use to improve their balance sheets, expand their chains and apply toward general administrative purposes.

Analysts said the spate of new filings is not unique to the restaurant industry. It cuts across a broad swath of industries as companies in biotechnology, agricultural research, geriatric health care, food processing and tele-and-fiber communications networks expand their concepts and pay off debts by tapping the equity markets.

Moreover, unless the broader stock market experiences a significant contraction, analysts don't expect the flood of new offerings to be restrained this year.

"The window opens, and the window closes," Weichmann said. "In 1989 the window was closed, and then it started opening in 1991 — and you look at the rash of filings, based on year-end company numbers, and there's enough encouragement to keep the window open."

For small-capitalized stock — which describes all but a few of the restaurant issues — the future is particularly encouraging since nearly all of the restaurant companies that went public last year have enjoyed good returns on invested capital.

"If you look at the restaurant companies that went public last year, nearly all of them have doubled their earnings," said David Geraty, an analyst with Equitable Securities. "When you compare that to other industries, you are not finding that kind of return."

"But I think the new offerings are really a continuation of

last year," he added. "There were a lot of deals last year, and a lot of investors have been handsomely rewarded. The momentum is just continuing."

Geraty pointed out that most of the companies going public have finely tuned concepts that have proved themselves in their market niche and have the executive talent to take advantage of an industry that has largely matured.

"We're in an industry that after 30 or 40 years has developed a strong talent base of entrepreneurs," he continued. "Now combine that with a strong and growing equity market, and the timing can't be better for quality companies that are eager to grow."

Roger Lipton, an analyst with Ladenburg, Thalmann in New York, said many well-managed companies are looking to get in on the good fortunes their colleagues have enjoyed.

"The valuations and the price-earnings ratios of the restaurant industry are at historically high levels, and that attracts entrepreneurs to raise money," Lipton said.

While IPOs generally garner most of the headlines, many older public companies are increasing their capital base with additional stock.

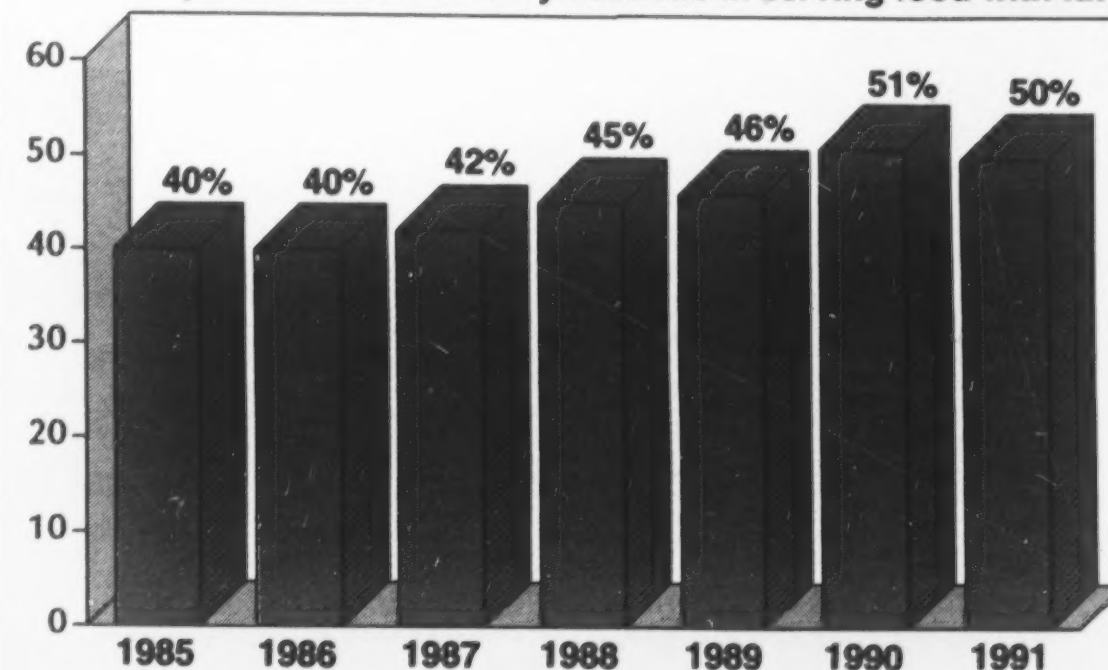
While Miami Subs issued more than 7.5 million shares in a private placement recently, other companies are continuing to gravitate to Wall Street for new public issues.

Applebee's International filed another 2.8 million shares; Bertucci's filed 1 million shares; and Good Times Restaurants, a double-drive-through chain based in Colorado, issued 3 million units, each consisting of two shares of common stocks and one redeemable stock purchase warrant.

FACT FILE

Eschewing the fat

Number of people surveyed who agree with the statement, "A person should be very cautious in serving food with fat"



Source: The NPD Group's National Eating Trends

FINANCIAL DIGEST

Shoney's posts 48% leap in 1st-Q profits

NASHVILLE, Tenn. — Shoney's Inc. reported a 48-percent gain in first-quarter net income, to \$8.9 million, on an 8-percent rise in revenues, to \$297.5 million, for the first quarter ended Feb. 16.

The company said profits climbed despite flat same-store sales in both the first and fourth quarters.

"This is our 131st consecutive quarter of record revenues," said Leonard H. Roberts, chairman and chief executive officer. "Not many companies can boast of that kind of performance."

"Everyone in this organization is committed to customer service, quality and value, and our results show we're succeeding."

During the quarter Shoney's made \$20 million in principal payments against the \$585 million of bank borrowing used to finance its 1988 recapitalization. The balance remaining is \$270 million.

Expenses erode Skyline Chili's net

FAIRFIELD, Ohio — Interest and depreciation expenses linked to the construction of a new chili plant substantially eroded Skyline Chili's first-quarter profits.

Net income fell more than 90 percent, to \$10,000, even though revenues enjoyed a 12-percent gain, to \$6.4 million.

"The earnings drop was no surprise," said William G. Kagler, president and chief executive officer. "Our new plant is a major investment for future growth, and we know that the related increase in depreciation and interest expense would have a significant adverse impact on our reported earnings."

But Kagler stated that Skyline Chili is financially secure. He noted that the company's cash flow — or earnings before interest, taxes, depreciation and amortization — improved by 15 percent.

The company operates 28 restaurants in the 79-unit chain.

IDQ's profits flatten on declining revenues

MINNEAPOLIS — International Dairy Queen's net income flattened in the first quarter ended Feb. 4, up just 0.7 percent, to \$4.4 million, on a 3-percent drop in revenues, to \$56.6 million.

The company would not elaborate about the results. Earlier, IDQ had blamed soft year-end results on the lingering recession.

Furr's/Bishop's restructures debt

LUBBOCK, Texas — Furr's/Bishop's said its Cafeteria Operators L.P. and Cavalcade Foods Inc. units have restructured \$179 million in debt by issuing new notes and warrants.

The cafeteria chain said Cafeteria Operators issued \$184.4 million in new 11-percent notes due June 1998 for its \$60 million in 10.25-percent series A senior notes due 1997, its \$90 million of 10.75-percent series B senior notes due 2007 and its bank debt of about \$20 million. The company said the notes include accrued and unpaid interest to date.

The company said it would issue new notes in June for the interest payments due at that time and would begin cash interest payments on Dec. 31.

In addition, Cavalcade Foods Inc. issued a new 9-percent, \$9.4 million note for a \$9 million note and all accrued and unpaid interest owed to a bank that would have been due March 31, 1993.

Vicorp's 1st-Q earnings jump

DENVER — Despite an \$857,000 charge related to the redemption of a subordinated debenture, Vicorp said its net income in the first quarter ended Feb. 16 jumped 14 percent, to \$3.9 million, on a 3-percent rise in revenues, to \$128.8 million.

In all, the company sustained a \$1.1 million charge for the extinguishment of debt, which represented the estimated amount that would have been incurred if all the debentures were redeemed.

FOOD PRICE OUTLOOK

Coffee quota agreement may be close

by Patt Patterson

The International Coffee Organization has been meeting, and at presstime it appears that most signals are green for a new quota agreement between producing countries and consuming countries. Large stocks of green beans and low prices are said to be the motivating factors at work. If such an agreement is signed, roast coffee prices will rise.

Beef price estimates are for low levels through summer. Chicken and pork are priced well below beef, and that should keep consumer demand moderate. But don't expect beef prices to fall much below present ranges.

An expected uptick in

cheese prices because of limited supply didn't really materialize. The market is expected to remain stable with slackened demand and improved supply.

There are no bargains in California canned apricots. In fact, most canners have no stock of foodservice sizes left. What's in the distributors' hands is about all that's left until the new pack in summer.

California canned tomatoes and tomato products, however, are still in large supply, and canners' prices have drifted down in an effort to unload some of the inventory before the new season. Recent planting intentions are about

25 percent below last year's acreage. The 1992 pack is estimated at about 20 percent lower than last year's.

Frozen spinach stocks are ample, but expect supplies of leaf to be tight. The canned pack in Arkansas has ended, with about normal production this year.

Lettuce production has moved heavily into the San Joaquin Valley, and volume is up and prices are down. A few Salinas growers are offering lettuce, but the production won't swing over to the Salinas Valley until early May. Acreage is about the same as last year's, overall. Expect low prices till the end of spring at least.

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SECOND CLASS

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May 11, 1992

Thugs maul LA restaurants

by Richard Martin

LOS ANGELES — While hordes of looters, armed thugs and arsonists rampaged brazenly through much of this smoke-shrouded city, restaurateurs in the nation's busiest metropolitan food-service market anguished over the deadly riot's staggering economic consequences.

"It's Armageddon," said Mike Stennis, as thieves carrying restaurant equipment and pans of raw chicken fled through the smashed-out windows of his family's Golden Bird restaurant, a branch of one of the city's best-known black-owned chains.

Charred ruins were all that remained for many restaurateurs, including one South Central Los Angeles business owner who reluctantly closed her franchised fast-food place after it was

ventilated by bullets on the night rioting erupted. "I go home; I can't sleep; at 3 in the morning I go back, and my place is destroyed," she told a reporter, while rioters continued to plunder neighboring stores.

Backlash reaches Atlanta, San Francisco

Page 4

Scores of restaurants across the city were broken into, looted and burned during the turmoil, which was ignited by resentments over the acquittal of four white Los Angeles police officers accused in the videotaped beating of black motorist Rodney King.

"You just hurt that somebody tries to infringe on your business," said Sal Casola, whose three Pasadena restaurants were attacked during the dinner hour by carloads of bat-swinging youths. The invaders smashed plate-glass win-

(See LA, page 4)



AP/Wide World Photos

Two National Guardsmen on duty outside a burning Winchell's Donut House in L.A.



NRN Photo

Drumroll, please . . .

It's that time again: Nation's Restaurant News is inducting 10 new restaurants into the Fine Dining Hall of Fame. And the 1992 inductees are

Actuelle Dallas	Gotham Bar & Grill New York
Al Forno Providence, R.I.	Highlands Bar & Grill Birmingham, Ala.
Citrus Los Angeles	Roy's Restaurant Honolulu
D'Amico Cucina Minneapolis	Saleh al Lago Seattle
Fleur de Lys (pictured) San Francisco	Spiaggia Chicago

For full coverage on the 1992 Hall of Fame winners, turn to magazine between pages 58 and 59

Romano, Brinker unveil 'funky' Mexican concept

Nachomama's debuts outside San Antonio

by Robin Lee Allen

LEON SPRINGS, Texas — Restaurant creator Philip Romano, in a joint venture with Brinker International, has opened a Mexican concept here in the same fertile town that gave birth to his namesake Macaroni Grill.

The new property, named Nachomama's, is a casual, 225-seat operation featuring inexpensive country-style Mexican fare in a zany setting.

Romano, who created such

concepts as Romano's Macaroni Grill, purchased by Brinker in 1989, and Fuddrucker's, now owned by DAKA International Inc., calls Nachomama's fare Mexican-Mexican.

"I just felt there were enough Tex-Mex places," he explained. "I have yet to go into a Tex-Mex restaurant and get a big hunk of pork."

Mexican pork roast, lamb shank, snapper with a sweet chili crust, rib stew, shrimp

with garlic-lime-butter sauce, sausage and onions, and rotisserie chicken are among the items that set Nachomama's apart from traditional casual Mexican restaurants in the United States.

The average customer check is \$13.

Brinker officials stated that it is too premature to make any comment.

The large Mexican-American (See ROMANO, page 111)

Denver investment firm buys troubled Mr. Steak chain

by Ron Ruggless

DENVER — Vowing to reinvigorate the 30-year-old Mr. Steak, Omnivest International, an investment firm based here, has acquired the financially troubled family steak-house chain through a Denver bankruptcy court.

Omnivest International bid \$140,000 for the assets of

Mr. Steak's owner, Jamco Ltd., and agreed to assume liabilities of about \$260,000.

Jamco Ltd. has been in Chapter 11 for nearly five years. With the closing of the Omnivest transaction, Jamco is expected to enter Chapter 7 bankruptcy.

At its peak in the early

1980s, Mr. Steak owned and franchised 300 units nationwide. Today that number has shrunk to 57 stores in 23 states.

The Mr. Steak acquisition marks the first restaurant venture for the privately held financial services company, whose holdings include a pro-

(See MR. STEAK, page 110)

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May 11, 1992

NEWS BRIEFS

Santa Cruz passes anti-discriminatory 'looks law'

SANTA CRUZ, Calif. — The city council here, on a 5-2 vote, has adopted a sweeping ordinance that prohibits employment or housing discrimination on the basis of "physical characteristics" and sexual orientation but which does not block employers from establishing standards for grooming and dress.

As originally drafted, the so-called looks law drew opposition from the local and national business community. Employers in Santa Cruz and across the country and newspaper editorial writers criticized the measure for its perceived interference with the right of business owners to set grooming and dress standards. No business groups publicly opposed the rewritten ordinance adopted late last month.

"Discrimination on the basis of 'personal appearance' is now [written as] discrimination against 'physical characteristics,' which means characteristics that people can't control, or were born with or were the result of an accident," Santa Cruz city attorney John Barisone said of the ordinance adopted. "For example, hair color, jewelry and things of that nature are not covered anymore."

While business groups did not speak out against the measure before the vote, several religious groups did, citing concerns about the protection of "sexual orientation" and the "legislation of morality." Barisone said the sexual orientation clause of the ordinance makes it an infraction to discriminate against a person on the basis of "assumed or known heterosexuality, homosexuality or bisexuality."

People cited under the ordinance are subject to a \$100 fine and subject to civil action that could require that they undergo mediation with their accuser. Both parties would split the cost of mediation, Barisone said.

Little Caesars franchisees meet to air grievances over K mart deal

CHICAGO — A group of Little Caesars franchisees meeting here recently said they are worried that the Detroit-based pizza chain's agreement to open hundreds of units in K mart stores nationwide will cannibalize their business.

Larry Klenda, an attorney for a number of franchisees operating a total of 400 to 500 units, said the group is hoping Little Caesars executives will be willing to discuss the issue of allowing K mart to open the in-store pizza shops in areas that are already franchised.

"The franchisees believe that the time has come to take a significant position in the matter of K mart being made a franchisee in existing franchised territories," Klenda said.

About a year ago K mart

signed an agreement to put Little Caesars in 400 of the chain's 2,300 stores. Long-range plans called for a 1,200-store penetration in five years. The deal would make K mart Little Caesars' largest franchisee.

To date, K mart operates about 200 Little Caesars Pizza Stations, the discount store's name for the restaurants.

McDonald's plans Leaps and Bounds expansion

OAK BROOK, Ill. — McDonald's said it plans to build 15 new indoor playgrounds over the next 12 months as part of its experiment to test the play center concept, Leaps and Bounds.

The expansion of Leaps and Bounds comes nine months after what the company called a "very successful" test.

Charles Ebeling, a McDonald's spokesman, said Leaps and Bounds is not a diversification of the company but builds upon what the hamburger giant had learned from managing play areas at 3,000 units.

Leaps and Bounds play centers carry a \$4.95 entry fee for each child, but there is no charge for parents. The play center offers snacks, such as popcorn, and soft drinks.

Illinois mulls higher alcohol tax

SPRINGFIELD, Ill. — Illinois Gov. Jim Edgar's proposal to triple the alcohol gallonage tax on beer and wine and increase the distilled spirits tax by 70 percent has met with opposition from the Illinois Restaurant Association and other groups.

The proposal would increase the tax on a gallon of beer from seven cents to 23 cents; on wine, from 23 cents to 67 cents; and on distilled products, from \$2 to \$3.41. The increases would place Illinois at a competitive disadvantage with five surrounding states, according to the association.

The plan would be on top of the federal liquor tax increase effective since January 1991, which increased the tax on wine 530 percent and on beer 100 percent in Illinois.

KFC opens first unit in Paris

PARIS — Kentucky Fried Chicken has opened its first unit here — the second in France.

Children were given stick-on goatee "beards" and string ties to celebrate the grand opening of the new \$5 million, 230-seat restaurant. Located in the Les Halles district of Paris, the French menu includes Original Recipe Chicken, Hot & Spicy chicken, Kentucky nuggets dipped in Béarnaise sauce, three salads, sorbet and chocolate mousse.

Ho-Lee-Chow signs Ohio expansion deal

ANN ARBOR, Mich. — Olivier Holdings Inc., a Cleveland-

based company, has signed an agreement with Ho-Lee-Chow to open 80 units of the fast-food Chinese delivery concept throughout Ohio in the next 12 years.

The first unit is expected to open next month in Cleveland, followed by a second store and the first unit in Columbus, Ohio.

"This agreement helps immensely with our focus on growth in the Midwest region," said Tom Burnham, the president of Ho-Lee-Chow Inc.

"It puts our chain right on schedule with respect to our short-term Midwest development plans and ahead of schedule with our long-term Midwest plans," Burnham added.

Since its beginning less than a year ago, Ho-Lee-Chow has grown to over 196 stores in eight states and four countries.

Canteen Corp. wins U.S. Library of Congress contract

WASHINGTON — Canteen Corp., the giant contract feeding subsidiary of TW Services, has won a contract to operate the foodservice at the U.S. Library of Congress.

Canteen began managing all aspects of the foodservice, consisting of three dining centers, five vending locations and catering services. Catering services are provided for the Library of Congress employees, the librarian, senators and members of Congress.

The employee and visitor dining centers, located in the James Madison Building, include a 700-seat main cafeteria with 12 points of service, open for breakfast and lunch; a basement dining room open six days per week, with eight foodservice areas and seating for 65; and the Montpelier room, featuring a full-service buffet and seating for 956.

The Library of Congress, located across the street from the nation's Capitol, is the world's largest library. It employs a total of 4,500 people and attracts hundreds of visitors and guests each day.

Ponderosa taps Barber, Petska as new VPs

DAYTON, Ohio — Ponderosa, the 800-unit budget steak house chain based here, has named Douglas E. Barber senior vice president of operations and Robert V. Petska senior vice president of quality and standards — a newly created position.

A 13-year veteran of Ponderosa, Barber initially came on board as a manager-in-training. He most recently had been a Ponderosa regional vice president based in Columbus, Ohio. Barber succeeds Vince Notaro.

Petska, who joined the chain in 1972, served as its operations supervisor in the United Kingdom and, later, as a regional vice president based in Milwaukee.

NEWS

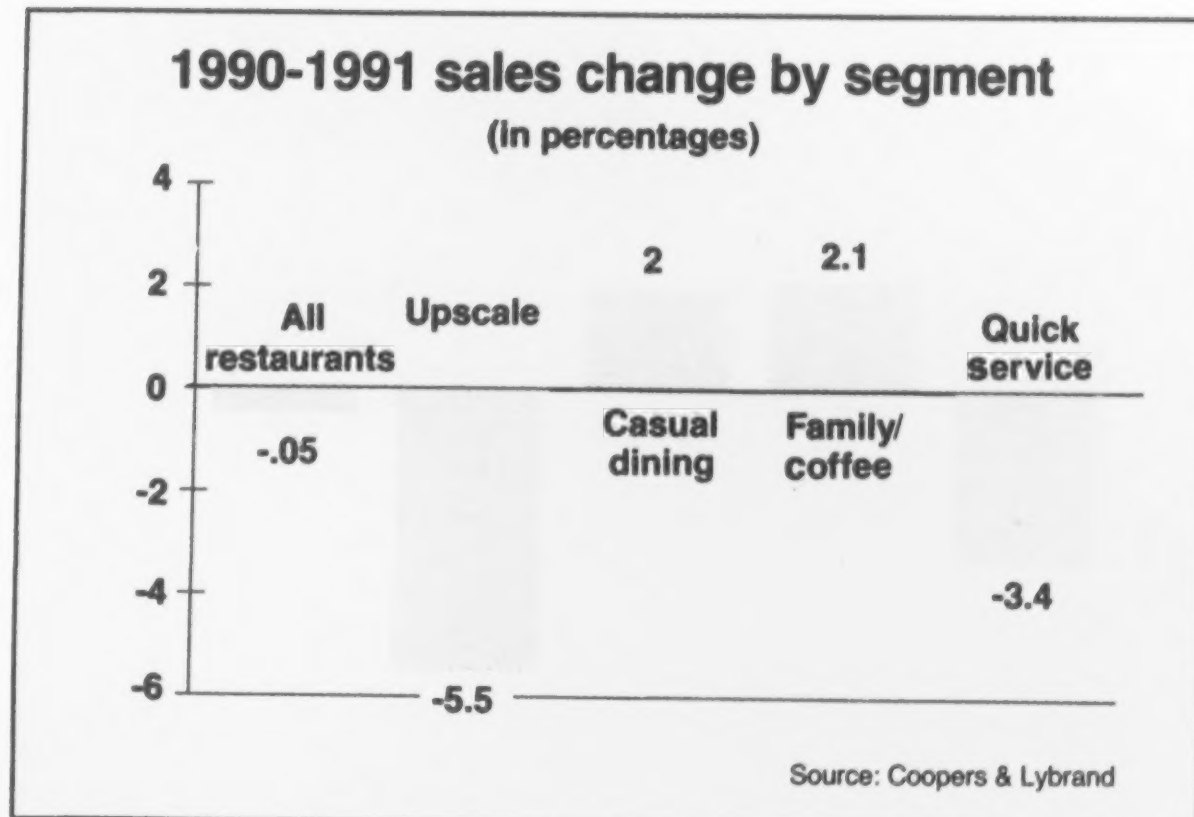
Study: Upscale, quick-serve operators suffer wrath of lingering recession

by Richard Martin

LOS ANGELES — The recession has tortured California's upscale and quick-serve restaurants more than its family and casual-theme concepts, according to a new study that analyzed 1991 sales trends in the state's \$25 billion eating and drinking industry.

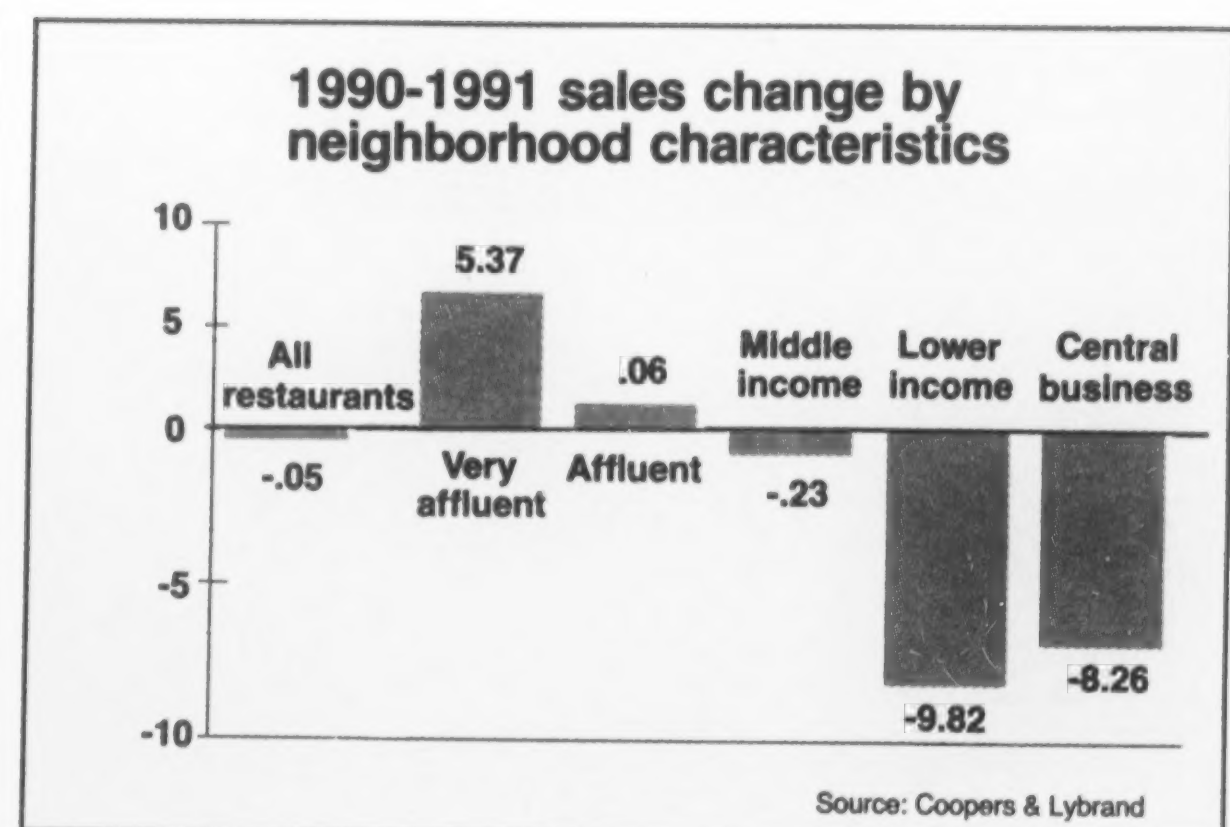
Geographically, restaurants in central business districts and lower-income neighborhoods last year took the worst drubbings from the state's economic downturn, the report indicated. It also noted that only eateries in extremely affluent neighborhoods scored real sales gains, averaging 5.4 percent, while those in affluent and middle-income areas were flat.

In terms of price-determined segments, California's family restaurants fared best in the study by posting an average



2.1-percent nominal increase in sales over 1990 levels. However, none of the industry's four price categories — including upscale, casual and quick-serve

— managed to record real growth by exceeding last year's 3-percent Western U.S. Consumer Price Index, the statewide study by Coopers & Ly-



brand, a Los Angeles-based accounting and consulting firm, said.

The worst results scored in the study were by upscale restaurants with average tabs exceeding \$20, whose sales plummeted 5.5 percent last year.

"The industry as a whole is not keeping pace with the CPI; there were real sales losses" throughout California, said analyst Bob Patterson, the report's editor.

The accounting firm's California Restaurant Trends report, based on same-store input retrieved this year from 300 independent and chain restaurants representing 31 different concepts, also confirmed that price eclipsed value last year as a determining factor in consumers' decisions about where to spend their away-from-home-eating budgets.

"Price, as opposed to price-value, appears to be real important," said Patterson, noting that lower-priced concepts within the respective segments fared better than rivals whose prices and connotations of quality were higher.

Among the chain and independent concepts measured were the Palm, Trader Vic's, Cheesecake Factory, Tony Roma's, Islands, Denny's, Johnny Rockets, Jack in the Box and Panda Express.

In polling the restaurants for data, Coopers & Lybrand quizzed chain leaders about their outlooks for an economic recovery in California, where the recession hit late but with a vengeance that is reflected in last month's 9.9-percent unemployment rate in Los Angeles County, home to the nation's largest metropolitan foodservice market.

"We feel that the first half of 1992 will show a continuation in revenue decline at the same rate as 1991," said Didier Peyron, president of Trader Vic's. "Only heavy price-value promotions will help to slow the decline. Overall in 1992 we will see a flat year compared to 1991."

Ken Rimer, president of Tony Roma's, was more terse in

his assessment: "I'm not planning on the economy recovering."

Coopers & Lybrand's Patterson, pointing to its study, explained that the 3.4-percent year-to-year dip among quick-serve operations was the result of the "pervasive discounting and value pricing of menus taking place" in the fast-food segment.

Otherwise, the "trading down" syndrome expected to result from consumers' recessionary jitters was manifested in the study's results — particularly in the 5.5-point tumble by the highest-priced operations.

In terms of location, sales at eating places in lower-income areas were off 9.8 percent last year while operations in central business districts — primarily upscale concepts — fell 8.3 percent from their 1990 levels, the report said.

Restaurateurs who contributed data to the study said that they aren't overly optimistic about the prospects for 1992.

"I'm looking for sales growth, but probably at the expense of someone else, rather than more people eating out," Fred Thimm, chief operating officer of the Palm restaurants, was quoted as saying.

The New York-based Palm chain, which has a California branch in West Hollywood, was included in the report along with such other upscale concepts as Ocean Avenue Seafood in Santa Monica, the Parkway Grill in Pasadena and Trader Vic's units in San Francisco and Beverly Hills. Restaurants in the study's upscale group, defined by \$20-plus per-person dinner tabs, had average per-unit sales of \$2.9 million in 1991.

The examined casual-dining concepts, defined as having full bar operations and dinner tabs in the \$8-to-\$20 range, included the state's Tony Roma's outlets and the Southern California-based Cheesecake Factory, Chin Chin, Crocodile Cafe, El Cholo and Islands restaurants. The group's per-unit

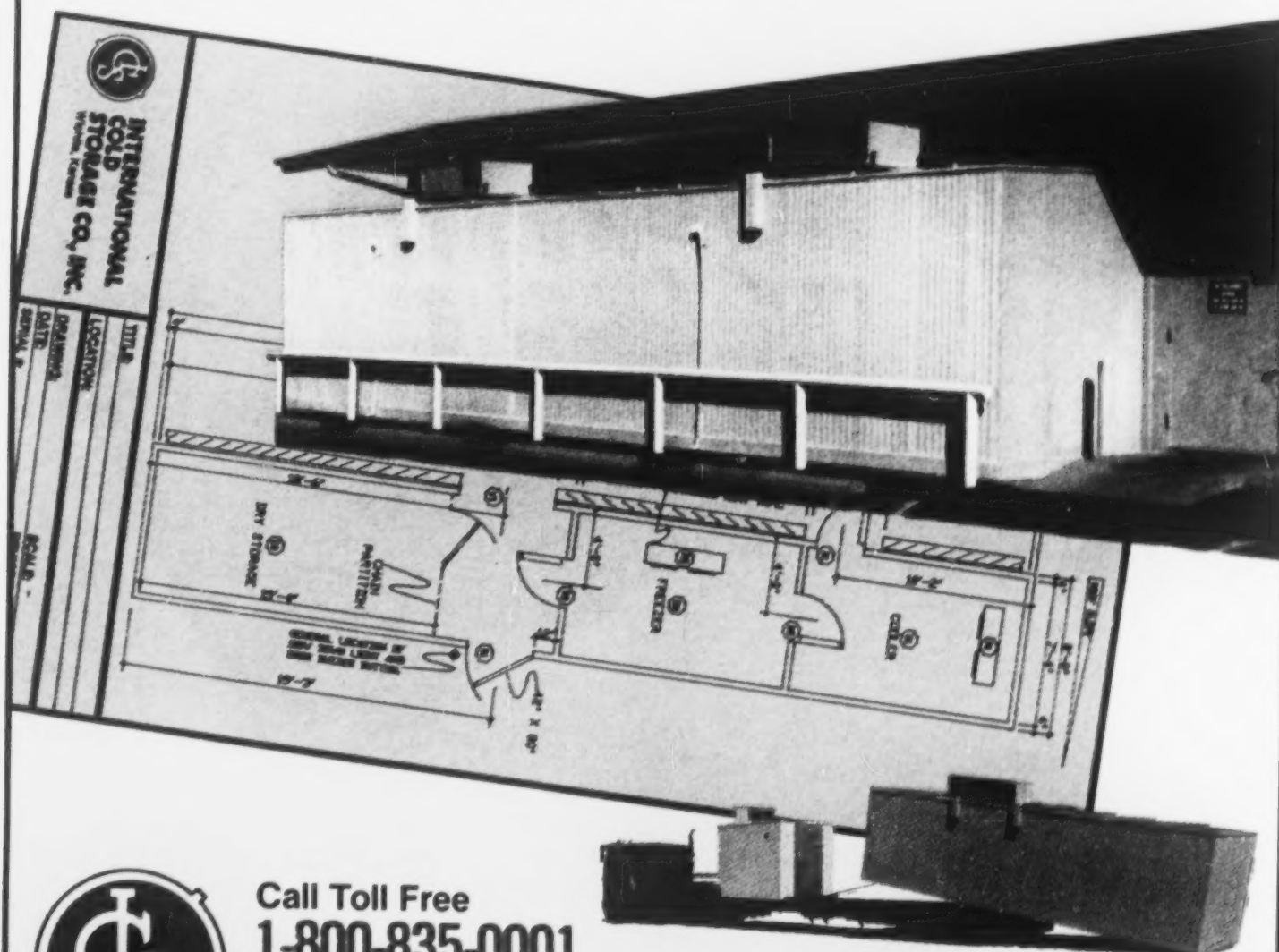
(See *STUDY*, page 88)

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NEWS

Study: Upscale, quick-serve segments suffer recession's wrath

(Continued from page 86)
sales average was \$3 million last year.

Defined by dinner tabs in the \$4-to-\$12 range and per-unit sales averaging \$1.6 million, the family-segment outfits studied by Coopers & Lybrand included the International House of Pancakes, Denny's, Johnny Rockets and Emil Villa's chains.

Among the quick-service outfits in the study were Wienerschnitzel, El Pollo Loco, Jack in the Box, Popeyes, Church's and Panda Express. The group's per-unit sales averaged \$700,000.

Casual dining operations examined in the report failed to live up to that full-service segment's upbeat reputation, posting sales increases of only 2 per-

cent despite the next-higher-priced upscale group's 5.5-point annual decline. Still, the casual segment's performance was just slightly behind the nominal gain scored by family restaurants, whose front-running results are of particular interest because of coffee shops' buffeting for years between the presumably more dynamic casual and quick-serve categories.

Data from larger chains in the respective segments were limited to 10 restaurants in each area of the state so that no single company's results would distort the overall average, Patterson said.

Extrapolated to the entire 60,000-restaurant California industry, the report's findings suggest that little distinction exists between sales performances of businesses in the state's Northern and Southern sections. Statewide, all restaurants in the study posted a 0.05-percent sales decline last year, with Northern California operations up 0.31 percent and those in the south off by 0.15 percent.

In addition to obtaining financial results, the accounting firm detected several emerging trends from its contact with the chains studied. Hotel companies, the report said, are increasingly under bottom-line

pressure to seek the aid of outside restaurant firms in operating specialty restaurants or even in taking over a hotel's entire food and beverage department.

Additionally, a trend toward upscale franchising, in which established restaurant companies become franchisees of other restaurant concerns, is more prevalent, the report suggested. "Today, many successful restaurant companies are considering becoming franchisees as a way to add an additional concept without the long lead time and risk of developing their own," the study said.

As an example of the trend, Patterson cited the recently inked territorial franchise pact between Chart House and the Islands gourmet-burger chain in which the dinner-house company became an Islands franchisee.

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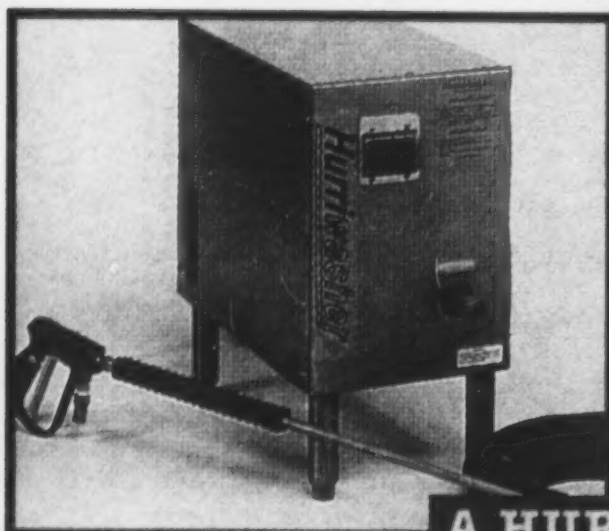
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The 'stars' come out at The Warwick Bar

Walter Jakobitsch, general manager of The Warwick in New York City, stands before the hotel's "Celebrity Corner" in The Warwick Bar. The Warwick is celebrating its 65th anniversary this year by unveiling its Celebrity Corner — a photo tribute to the many stars of stage, screen and music who have called The Warwick "home" over the years.

Velis exits Friendly's after 13 years of service

WILBRAHAM, Mass. — Jim Velis, who headed the public-affairs department for Friendly's for 13 years, has left the 800-unit family restaurant chain to pursue personal business interests.

"Friendly's is just a great company, but I've reached the point where I want to go out and

do some things by myself," Velis explained.

He noted that he is currently teaching a continuing education course in public relations at a local college and plans to remain in public relations on a consulting basis.

A successor has not been named.

Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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NRN Photo

Waitress Candice Taylor totes barbecued ribs at Billy Blues Barbecue Bar & Grill in Dallas.

Operators jazz up sales with blues-barbecue blend

by Ron Ruggless

DALLAS — In this shimmy-'n'-shake economy, some operators sing the blues. Others capitalize on them.

Blues music has become the theme and theme song for a growing number of casual sup-

per clubs. From Minneapolis to Houston and Atlanta to Dallas, it's a blues-plate special as customers get their licks in while listening to the earthy sounds of such blues greats as Leadbelly, T-Bone Walker or Billie Holiday.

In Atlanta's Buckhead neighborhood, Red Hot & Blue, the blues-and-barbecue chain based in Arlington, Va., launched its 10th unit in April. In Minneapolis the new \$15 mil-

(See **BLUES**, page 59)

Gambling law splits operators in New Orleans

Governor paves way for casinos, angering some local restaurateurs

by Jack Hayes

NEW ORLEANS — Like Hollandaise in an overheated sauce pan, New Orleans restaurateurs are hotly divided on the issue of land-based casino gambling — a 6-year-old idea that became law here last week when Louisiana Gov. Edwin W. Edwards signed the controversial casino bill.

The governor's swift approval of the bill virtually guarantees that within 12 to 18 months at least one casino will be operating at the New Orleans Rivergate complex, a downtown site that was originally built as a convention facility 20 years ago.

"We say the casino idea is totally wrong for our city," said Ella Brennan of Commander's

Palace. "Thinking about what casinos did for Atlantic City scares us to death."

On the one side — aligned with members of the Brennan family who operate Mr. B's Bistro, Commander's Palace, Bacco and Palace Cafe — are those opposed to casinos on the belief that Las Vegas-style gambling eventually will destroy New Orleans' unique tourism and business environment.

"The people who come to New Orleans to pull a one-armed bandit aren't the kind who make plans to go out and dine," added Chris Ansel, a third-generation restaurateur who operates the popular table-

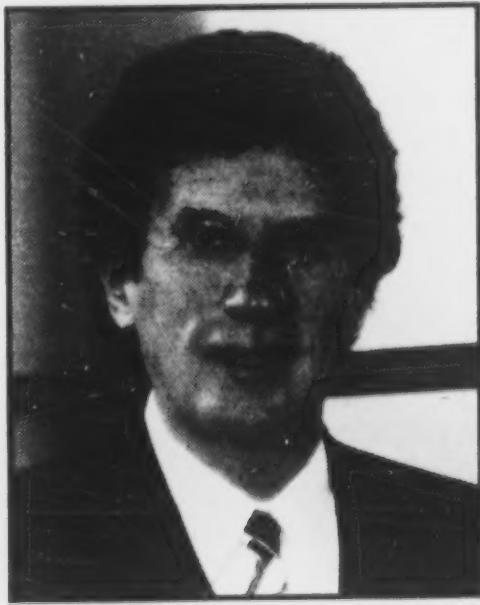
(See **NEW ORLEANS**, page 4)



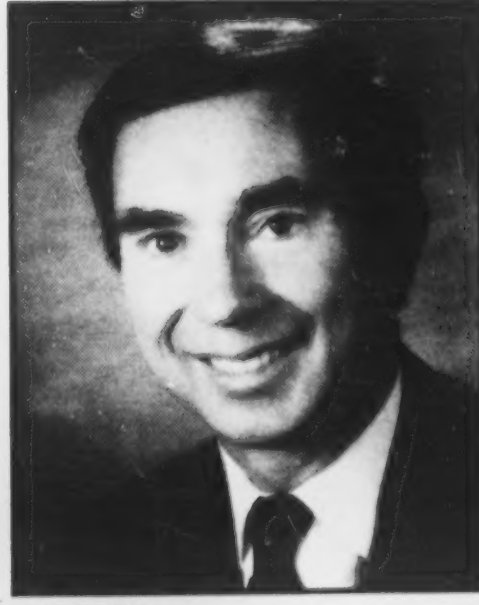
Ralph Erben



Ruth Fertel



Michael Ilitch



Rich Komen



Richard Melman



James W. Near

Top leaders selected as Golden Chain winners

by Rick Van Warner

NEW YORK — Six top industry leaders have been selected by the editors of Nation's Restaurant News to receive Golden Chain Operator awards in recognition of outstanding leadership and achievement.

Luby's Cafeterias president and chief executive Ralph "Pete" Erben, Ruth's Chris Steak House founder Ruth Fertel, Little Caesar chairman and founder Michael Ilitch, Restaurants Unlimited chairman and founder Rich Komen, Lettuce

Entertain You founder and president Richard Melman and Wendy's chairman and chief executive James W. Near will be honored at an elegant awards banquet during NRN's 33rd annual Multi-Unit Food Service Operators (MUFSSO) conference.

In addition, one of the six winners will be selected MUFSSO Operator of the Year through a vote by NRN readers only via ballots contained in the July 6 and July 20 issues of

NRN.

Each of the six award winners has exhibited superb leadership in guiding their respec-

tive companies to success over the past year. Each also has chalked up many victories over his or her career.

• Ralph Erben has been a steady force at the helm of Luby's over the past several (See **GOLDEN CHAIN**, page 58)

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June 22, 1992

NEWS BRIEFS

Restaurant sales rise 2.02% in May; menu prices increase 2.1%

WASHINGTON — Sales growth at the nation's eating and drinking places continued to slow in May, rising 2.02 percent on an unadjusted annual basis — the third consecutive month restaurant volumes have softened, the Census Bureau reported.

In April and March restaurant sales rose 2.76 percent and 3.81 percent, respectively.

Meanwhile, the Labor Department's consumer price index reported that menu prices rose 2.10 percent in May, which was also softer than April's 2.31-percent annual increase or March's 2.62 percent.

Hardee's unveils Frisco burger

LAKE OF THE OZARKS, Mo. — Hardee's has introduced the Frisco burger, the first of several new products the company intends to roll out every 90 days in a bid to diversify its menu.

The Frisco burger is an all-beef patty with cheese and a light but tart sauce served on a sourdough bun for \$2.49.

Other products that may be introduced by the third-largest burger chain include a breakfast milk shake with yogurt and an egg burrito called the Olé Tortilla Scrambler.

Circle K agrees to be purchased by CK Acquisitions

PHOENIX — Circle K Corp., which has been operating under Chapter 11 bankruptcy protection, has agreed to be purchased for \$375 million by CK Acquisitions, a group of three international investors.

Among the partners in CK Acquisitions is Investcorp S.A., which also owns Carvel Corp., Saks Fifth Avenue, Gucci and Tiffany's.

The 3,400-unit convenience store operator expected to close about 40 percent of the company's stores when it filed Chapter 11 two years ago. But the CK Acquisitions deal is expected to cut that figure to about 35 percent, which will reduce the chain's system to about 2,800 rather than 2,200 stores.

Chicago gaming commission backs casino gambling

CHICAGO — Mayor Richard Daley's Chicago Gaming Commission unanimously has endorsed land-based casino gambling in the city, but Illinois Gov. Jim Edgar continues to oppose it.

The \$2 billion gambling complex was proposed by Circus Circus Enterprises, Caesars World and Hilton Hotels. Before that plan or others can move forward, the Illinois Legislature must change the current

law that prohibits land-based gambling in the state.

And while the Illinois Restaurant Association's board of directors has yet to take a stand on the issue, indications are that the board favors casino gambling in Chicago — but with some reservations.

Architect group launches attack on McD ads

OAK BROOK, Ill. — A massive outdoor ad campaign by McDonald's has come under fire from protesters who charge that the effort is environmentally damaging.

The burger chain is undertaking a product-focus campaign scheduled to appear on about 20,000 billboards and bus placards.

A representative from the American Society of Landscape Architects said that in addition to being an eyesore along public roads, billboards often spur tree-cutting if they block the view of the intended sign.

A McDonald's representative said the company isn't constructing any additional billboards and added that the signs consist of recycled paper and an environmentally safe vegetable dye for print.

Creditor sues former G.D. Ritz's officers

COLUMBUS, Ohio — KMA Acquisitions Corp. is suing four former officers of the defunct G.D. Ritz's for failure to pay back a \$100,000 bank note KMA purchased to acquire G.D. Ritz's \$1.3 million bank loan.

KMA, the Columbus franchisee of Rally's Drive Thrus, headed by Jeffrey Roschman and John McGill, has charged the four men with breach of fiduciary duty and wrongful acts. The four named are William Coleman, Richard Einhorn, Thomas Johnson and James Brockman.

Einhorn, who left Ritz's in 1988, now operates four franchised Daddy-O's Drive Thrus in Ohio. "We have done absolutely nothing wrong," Einhorn said. "For me to be named in a lawsuit is absolutely ridiculous."

Democrats won't cross picket line at Rainbow Room

NEW YORK — Democratic National Convention sponsors said they would scrap a planned July 12 reception at the Rainbow Room here if restaurant staffers are still striking by mid-July.

Dozens of Rainbow Room employees — members of Local 6 of the Hotel Trades Council — went on strike earlier this month to protest stalled union negotiations.

The DNC, together with NY '92, the city's public and private partnership formed to organize many of the social events

during the convention, said they would not cross picket lines.

Laura Hart, a spokeswoman for NY '92, said, "It is a clear labor issue, and both the Democratic National Convention and NY '92 are supportive of union efforts."

Joe Baum, the Rainbow Room's chief operating partner, is co-chairman of a food and restaurant subcommittee of NY '92.

Health groups urge new smoking restrictions

WASHINGTON — The American Heart Association, American Lung Association and American Cancer Society have launched a campaign to reduce "environmental smoke," the smoke inhaled by non-smokers sharing a space with smokers.

Heart Association officials in particular contend that segregating smokers and non-smokers — as is often done in restaurants — is not enough to ensure the safety of non-smokers.

Restaurant association officials and operators have said it would be cost prohibitive to retrofit most establishments with such sophisticated, segregated smoking and non-smoking rooms. William Fisher, National Restaurant Association executive vice president, said the NRA's position is that government "should not mandate or legislate something that is unenforceable or places operators in an untenable position."

Cajun Joe's tests Cajoe's

MILFORD, Conn. — Cajun Joe's, the 115-unit fried-chicken chain owned by Subway Sandwich parent Doctors Associates Inc., is testing a new roasted format called Cajoe's.

According to vice president and co-founder Richard Cromwell, the name Cajun Joe's was confusing to customers, who mistook the chain for a Cajun concept. The new format, which is being tested in 10 stores in five markets, emphasizes whole roasted chicken over the traditional fried and offers new side dishes, including baked potatoes, new potatoes, a variety of rice, gravy and stuffing.

Washington delays labeling program

WASHINGTON — The Bush administration announced recently that it would delay its nutrition-labeling program by either nine months or one year, giving restaurateurs and the food industry time to revamp menus and labels.

While the legislation is aimed primarily at food-product labeling, restaurateurs who use menu descriptors promoting healthful food qualities — such as "low-fat" — would also be required to disclose item contents.

The Food and Drug Administration originally was to have issued final nutrition-labeling regulations by November 1992, with a compliance date slated for May 1993.

FINANCIAL NEWS

Starbucks looks to IPO to perk up expansion

by Alan Liddle

SEATTLE — Starbucks Corp., a 126-unit espresso bar and retail coffee chain and supplier that enjoys high visibility in the Northwest and Chicago, is hoping to raise approximately \$20 million for expansion and other purposes through an initial public offering of 1.5 million shares of common stock.

The company is just one of several food-and-beverage concerns to move to the public market during the first six months of this year. It's the first of the better-known and larger specialty-coffee chains—including Gloria Jean's Coffee Bean of Illinois, Florida's Barnie's Coffee & Tea Co. and the Coffee Beanery Ltd. of Michigan—to seek capital in such a manner and said whatever money it raises could be used for acquisitions and the enhancement of its computer systems.

Besides the 1.5 million shares being put on the block by the Seattle-based company, 600,000 shares held by 20 individual or institutional shareholders will also be sold when the offering is completed, possibly later this month. A prospectus filed in connection with the offering by underwriters Alex. Brown & Sons Inc. and Wertheim Schroder & Co. Inc. states, "It is currently estimated that the initial public offering price will be between \$14 and \$16 per share."

If everything goes as planned, approximately 12.6 million common shares will be left outstanding following the offering.

The prospectus points out that after the stock sale, control of the company, "as a practical matter," will remain with its officers—including chairman Howard Schultz, the largest



shareholder with 1.1 million shares, or 8.5 percent of the stock—its directors and the five individuals or firms that hold 5 percent or more of the shares. Those persons and entities, in aggregate, will retain control over about 44 percent of the stock, thereby enabling them to elect the entire board of directors.

Seattle-based Starbucks, which was founded in 1971, had opened seven retail stores and operated a coffee roaster when it was acquired in 1987 by Schultz, then the director of retail operations and marketing, and a group of investors. Schultz and his investors renamed their Il Giornale Coffee Co. the Starbucks Corp. in January 1988.

As of March 29, the company operated stores in Seattle, where there were 56 outlets; Chicago, 28; Vancouver, British Columbia, 17; Portland, Ore., 14; Los Angeles, 7; San Diego, 3; and San Francisco, 1.

For fiscal 1991, ended Sept. 29, the company reported net sales of \$57.7 million, up 63 percent from the prior year, and net earnings of \$2.4 million, or triple the previous year's level. For the 26-week period ended March 29, sales were up 58 per-

cent, to \$42.8 million, while earnings rose 46 percent, to \$2.1 million.

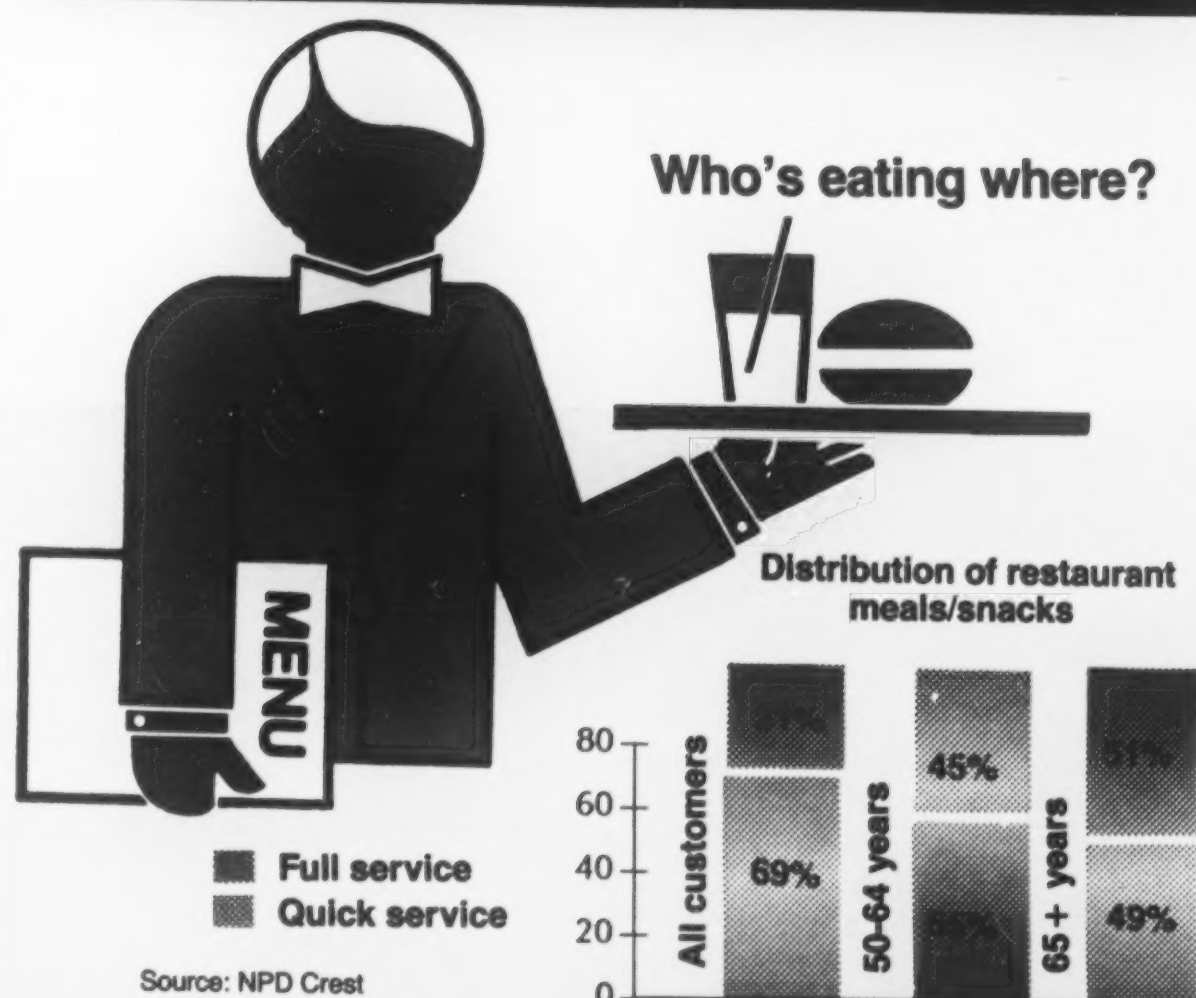
Comparable-store sales rose 15.3 percent for the 52 weeks ended September 1991, down from the 22.6-percent rate of growth enjoyed in fiscal 1990. For the 26 weeks ended in March, comparable sales were up by 16.8 percent, compared with 19.9 percent for the same period a year ago.

Since being acquired by the Schultz group in 1987, Starbucks has seen its net sales grow in successive years by 704 percent, 89 percent, 84 percent and 63 percent. The company lost \$330,000 in fiscal 1987, \$764,000 in fiscal 1988 and \$1.2 million in fiscal 1989 but has seen its net earnings grow heartily for the past two and a half years, though on a pro-forma basis, they remained a relatively modest 24 cents per share for fiscal 1991 and 19 cents a share for the first half of fiscal 1992.

As a privately held company in an increasingly competitive segment, Starbucks' management has been extremely tight-lipped about business matters in the past. The prospectus issued in conjunction with the offering gives the clearest picture to date of a company that is much admired and copied.

Starbucks Corp. purchases and roasts whole-bean coffees from around the world and sells 30 blends and varieties through its retail stores with espresso bars, its wholesale division and a direct-mail division. Retail store sales contributed 87 percent of the company's total net sales for the 26 weeks ended in March; the wholesale division (See *STARBUCKS*, page 57)

FACT FILE



FINANCIAL DIGEST

Quantum's, Krystal's stock begin trading

NEW YORK — Quantum Restaurant Group, the diversified casual theme and steak-house operator, and Krystal Co., the Atlanta-based mini-burger chain, completed their initial public offerings as publicly owned companies.

But both companies' share prices traded below the premarket goals of their individual prospectuses.

Quantum's 2.15 million shares were priced at \$10, about \$3 lower than expected, while Krystal's stock price, on 2.1 million shares, came in at \$12 a share on the first day of trading, about \$2 lower than the company expected.

Quantum Restaurant Group owns and operates 37 restaurants, of which its Morton's of Chicago is the best-known concept.

Krystal, often considered the second-oldest burger chain, operates 219 units noted for their mini burgers. The company began franchising in 1990 and is looking to expand through its double-drive-through concept, Krystal Kwik.

Partner to merge with Outback

WASHINGTON — Stone/Danker Inc., a joint-venture partner of Outback Steakhouses in the nation's capital, has agreed in principle to merge with Outback through a stock swap.

Outback will issue 450,000 shares of its common stock in exchange for all outstanding stock of Stone/Danker.

"Our D.C. venture has been performing exceptionally well, with average restaurant sales running in line with our Florida restaurants," said Chris Sullivan, Outback's chief executive officer. "Our venture partner has done an outstanding job developing his organization, and we are excited that they will all continue working with us as we go forward in the market."

Stone/Danker operates five of the 61 units in the chain.

Cucos' 3rd-Q net rises 18 percent

NEW ORLEANS — Buoyed by the sales contributions of 14 new restaurants, Cucos reported a 21-percent year-to-year gain in revenues, to \$4.1 million, in the third quarter ended April 5.

But earnings, though up 18 percent, to \$3,622, were restrained by a \$25,000 charge for the closing of a New Orleans unit during its conversion to Cucos Border Cafe.

The top-line increase came from 14 new company-owned restaurants vs. 11 in the year-ago quarter. In addition, same-store sales rose 4.9 percent.

Cucos said franchising fees and royalties declined during the quarter, reflecting lower franchise sales because of the recession.

The company said it intends to mount an aggressive advertising campaign in four major markets most affected by the economic downturn.

For the 40-week period ended April 5, Cucos said earnings rose 8 percent, to \$136,675, on an 18-percent rise in revenues, to \$13.2 million compared with the same year-ago period.

Earnings comparisons boost Max & Erma's

COLUMBUS, Ohio — Earnings comparisons against a year-ago pre-tax charge of \$165,000—related to the settlement of a lawsuit—gave Max & Erma's a lift in the second quarter ended May 10.

The company said net income, in comparison with the year-ago period, increased ninefold, to \$251,000, on an 8-percent increase in revenues, to \$9 million.

The casual-theme dinner-house operator said same-store sales rose 3 percent in the quarter because of an improving economy as well as the increased appeal of the company's new menu and a new television advertising campaign.

For the six months of the year, net income jumped three times, to \$553,000, on a 6-percent increase in revenues, to \$20.9 million.

FOOD PRICE OUTLOOK

Midwest drought may hike food prices

by Patt Patterson

In early June the Midwestern corn belt was far behind on rainfall, leading some observers to compare this year with the drought of 1988. Major parts of Illinois, Iowa and Kansas were suffering from lack of rain, combined with untypical cool weather. Some farmers have had to replant corn, because the first plantings did not get enough moisture or warmth to germinate. This means that some areas will be coming into harvest in the hottest part of July and August.

The drought is hitting hardest the area that grows a large part of the country's wheat, soybeans and corn. If crops are short this year, prices will rise for meat and poultry, which are depen-

dent upon grains for feed. Add to this the strong export demand from other countries for U.S. grains plus the short stocks in government storage, and you have the recipe for center-of-the-plate inflation.

Now for the good news: Most of the country's vegetable-and-fruit-growing areas seem to be in good condition, with production anticipated as normal or better for most produce and canning crops. Fresh and processed fruits and vegetables are expected—with a few exceptions—to remain fairly stable in price.

With New Jersey lettuce fields being harvested, the price for lettuce continues to remain low although West Coast ship-

ments are at seasonal high freight rates, running up landed costs on the East Coast... Leaf lettuce f.o.b. prices also are low, with some California shippers curtailing harvesting because of poor market conditions.

Hawaiian pineapple canners will be offering promotional allowances of about \$1 off on 6/10 packs from the beginning of July through the middle of August. Foodservice 46-ounce pineapple juice packs will also be promoted at about \$1 off per case. The outlook on imported pineapple is not so good, with the Philippines hit with poor rainfall, and Thailand not much better off. Asian canners are worried about quality for this year's pineapple pack.

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Leonce Picot, left, with chef Emile LaBrousse.

Picot lightens up fine-dining places in South Florida

by Jack Hayes

FORT LAUDERDALE, Fla. — After closing two fine-dining restaurants in California, restaurateur Leonce Picot is refocusing on business here in South Florida by cutting menu prices and shelving formal ambience at his 24-year-old flagship The Down Under and Casa Vecchia.

Resorting to tactics he had long frowned upon, Picot has begun to experiment with lighter and less expensive dishes pre-

pared with fewer ingredients and simpler techniques at his two Fort Lauderdale restaurants.

"We're not cooking with truffles here now," said Picot, who also operates the award-winning La Vieille Maison in Boca Raton, an elegant 160-seat concept that so far has escaped the mounting pressure for casualization.

While Picot would not di-

(See **PICOT**, page 52)

'Smart bars' juice up beverage sales

by Peter O. Keegan

A handful of operators are wising up to the mainstream possibilities of "smart bars," a faddish "bar-within-a-bar" concept that touts a new generation of non-alcoholic, vitamin-charged cocktails called smart drinks.

Places sporting such trendy names as Brain/Wash, Mecca, Galaxy Diner, Lizard Lounge, the Smart Bar and Star Groove are targeting a young, hip crowd with signature drinks souped up with vitamins, minerals, Chinese herbs, amino acids and sometimes caffeine. Combined with water or fruit juice, smart drinks are said to increase awareness, memory and — most important — energy.

And while the chief draw at these fledgling operations tends to be powder-based drinks like



Brain/Wash combines smart drinks, food and laundry facilities.

Energy Plasma, IQ Booster, Blast, Energy Elicksure, Psuper Psonic Psyber Tonic and

Oxysmart, many operators merchandise limited menus as

(See **SMART**, page 53)



Don Clawson

Radisson's Clawson checks out

by Carolyn Walkup

Minn. — Don Clawson, vice president of food and beverage for nearly eight years at Radisson Hotels International, based here, has left as part of a corporate restructuring.

"My position has been eliminated," Clawson said.

He said he is considering forming a hospitality consulting company or teaching at a culinary school. For the time being, however, he is consulting

(See **CLAWSON**, page 53)

Industry veteran Brinker named Pioneer of Year

by Rick Van Warner

DALLAS — Norman Brinker, the veteran restaurant operator and creator of such concepts as Steak and Ale and Bennigan's, has been chosen MUFSO Pioneer of the Year by Nation's Restaurant News.

The Brinker International chairman will be honored during an elegant awards banquet sponsored by American Express during NRN's Multi-Unit Food Service Operators (MUFSO) conference here Sept. 22.

Over a career spanning 35 years, Brinker has earned a reputation as an entrepreneurial executive with an uncanny knack for making concepts succeed.

After launching Steak and Ale in 1965, he guided the company through steady growth in sales and profits over the next 18 years. Along the way he created the Bennigan's concept, which grew to become a leading casual dinner-house chain.

In 1976 Pillsbury acquired Steak and Ale, which later became S & A Restaurant Corp.



Norman Brinker

Within a few years Brinker was named president of Pillsbury's restaurant division, which also included Burger King and Poppin' Fresh Restaurants.

But following the entrepreneurial urge that still tugged at him, he left that post to buy into fledgling Chili's in 1983. As

(See **BRINKER**, page 51)

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World leaders should learn from foodservice

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Vol. 26, No. 26

June 29, 1992

NEWS BRIEFS

NRA asks USDA to relax school pizza-meat rules

WASHINGTON — The National Restaurant Association has asked the Department of Agriculture to accept local health laws as adequate safeguards for schools' sales of meat-topped pizzas from local pizzerias.

In the wake of Congress' recent passage of legislation allowing schools to sell pizzas from neighborhood restaurants, the USDA has proposed pizza-meat safety regulations that the NRA calls "complex and duplicative." The association said the proposed rules give an unfair advantage to makers of frozen pizza and replicate the Food and Drug Administration codes on which most state and local health agencies base their restaurant-food protection programs.

Testifying on behalf of the association, Steve Frisbie, a Godfather's pizza spokesman, said the restaurant industry "does not believe this is a food safety issue, but rather a competitive issue between frozen pizza producers who currently enjoy a competition-free environment . . . and the makers of fresh pizza products who want nothing more than equal access to the school lunch program market."

Sbarro pink slip hits operations VP in latest cutback

COMMACK, N.Y. — Frank Montano has left Sbarro Inc. following a move by the company that eliminated the post of operations vice president, a position he held for two years.

The latest in a series of executive departures leaves four members of the Sbarro family in charge of the publicly held company's top executive posts. Anthony, Joseph and Jerry Sbarro are serving as zone vice presidents. Mario Sbarro, who is chairman and president, continues to oversee those posts.

Montano, a two-year veteran of the 500-unit pizza and pasta chain, would not discuss details of his termination pending discussions with the company on his departure.

Sbarro did not return phone calls.

An estimated 40 executives and upper managers have been let go by the company since January.

Senate Finance Committee passes TJTC extension

WASHINGTON — The Senate Finance Committee has approved legislation extending for 18 months a dozen tax credits set to expire on June 30, including the targeted jobs tax credit, TJTC, enthusiastically supported by the restaurant industry.

The measure now goes to the full Senate. The House Ways and Means Committee is

expected also to extend similar credits in its urban-aid package. Earlier this year Congress included the extended credits in its ill-fated economic recovery package, which President Bush vetoed.

TJTC allows employers to claim a 40-percent tax credit on first-year wages of up to \$6,000 paid to disadvantaged employees who fall into nine targeted groups, including disabled people referred by state vocational rehabilitation programs; economically disadvantaged Vietnam veterans; economically disadvantaged ex-convicts hired within five years of their release from prison or date of conviction; and some recipients of federal, state and local aid.

In addition to extending TJTC through 1993, the committee also expanded one of the target groups eligible for a tax credit by providing tax credits for employing economically disadvantaged youths aged 18 to 24. Previously, the credit was only extended to age 22.

Hofmeister closes LA culinary school for reorganization

BURBANK, Calif. — Blaming the "slow restaurant business climate in Los Angeles" for a drain on resources, chef Raimund Hofmeister has closed the 8-month-old Los Angeles International Culinary Institute here, including its Classroom and Equestrian Bar and Grill restaurants.

He said the multimillion-dollar institute "will take advantage of a brief hiatus in order to restructure financially and internally." Currently awaiting permits to operate a newly leased off-campus bakery facility in Burbank, Hofmeister said classes for LAICI's 44 students are expected to resume there July 6 on an interim basis.

A former U.S. Culinary Olympics Team gold medalist, Hofmeister was the executive chef of the Century Plaza Hotel in Los Angeles for 12 years until he resigned last year to launch the institute at the Los Angeles Equestrian Center in Griffith Park. The launch of the chefs academy, the first of its kind in Los Angeles, had been delayed for more than two years by financing difficulties and a series of relocations from proposed development sites.

Gladstone's parent gets bank, REGI to relieve debts

LOS ANGELES — California Beach Restaurants, the debt-strapped owner of the Gladstone's 4 Fish and RJ's the Rib Joint landmarks here, said it reached a forbearance and preliminary restructuring agreement with its bank, which previously had accelerated amounts due from a defaulted \$10 million loan to the company's Sea View Restaurants subsidiary.

Under conditions requiring the company to raise \$1 million in new equity capital and redraft a \$5 million promissory

note held by Restaurant Enterprises Group Inc., California Beach said it reached an agreement in principle with REGI to exchange its note for a 10-percent stake in the restructured company and a \$1.9 million note.

In April California Beach said it might have sought bankruptcy protection if Bank of America had tried to seize its two restaurants, which generated sales of about \$18 million last year. The company's contemplated Chapter 11 filing was divulged within days of the resignation of Robert J. Morris, the founder of Gladstone's and RJ's, as California Beach's chairman and chief executive.

Alan Redhead, formerly chief executive of the old Hungry Tiger dinner-house chain, has been named to replace Morris as California Beach's chief executive.

HRC's Morton files new suit to block Chicago 'knock-off'

CHICAGO — Hard Rock Cafe co-founder Peter Morton and investors in his HRC branch here have filed suit in federal court against the owners of the planned Planet Hollywood restaurant in Chicago.

The suit is Morton's third targeting the alleged "knock-off" concept that debuted in New York last year. The Los Angeles-based restaurateur, president of the 11-unit Hard Rock America, again alleged that Planet Hollywood would illegally copy Hard Rock's entertainment- and music-themed format.

Seeking unspecified damages and an injunction against building or operating the Chicago branch, he charged the concept's owners with infringing on and diluting his trademarks, stealing trade secrets and engaging in unfair competition. Morton and affiliated investors previously filed a similar suit in an effort to block a planned Planet Hollywood in Costa Mesa, Calif.

Earlier, Morton sued the New York-based restaurant company and Britain's Rank Organisation PLC — holder of the half of the rights to Hard Rock not owned by Morton — for more than \$1 billion for their alleged conspiracy to devalue and acquire his restaurants by opening Planet Hollywoods in his exclusive HRC territory west of the Mississippi.

Della Femina to open eatery on Long Island

NEW YORK — Jerry Della Femina, one of Madison Avenue's highest-profile advertising executives, has resigned from Della Femina McNamee, the agency he founded 25 years ago, and unveiled plans to open a restaurant in trendy East Hampton, N.Y.

Della Femina, 55, said the restaurant is tentatively scheduled to open in August on the site of a building he owns.

Della Femina is credited with the creation of Joe Isuzu, the lying car salesman.

OPERATIONS

Prime rib is a tour group favorite in Monterey

"The No. 1 menu item for tour groups is prime rib," according to Don Cope, executive chef of the Doubletree Hotel in Monterey, a major tourist and resort area on the California coastline below San Francisco. "We get a lot of tours, and that's what just about all of them want, roast prime rib of beef."

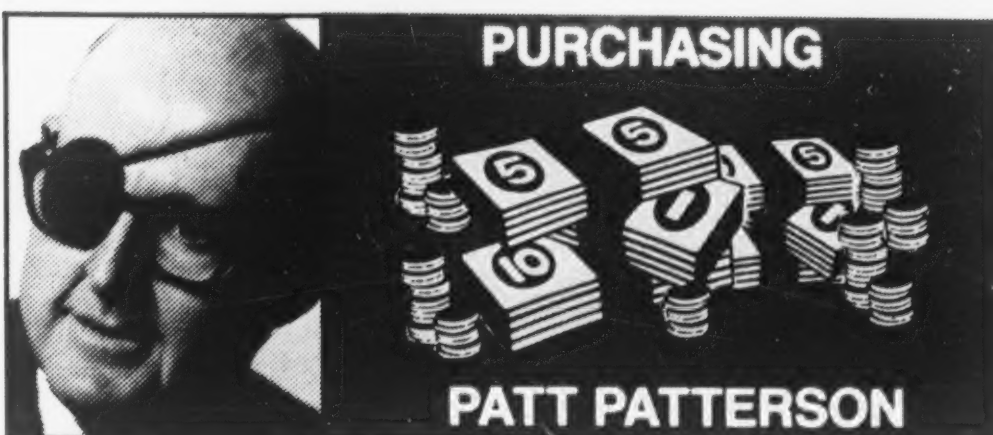
Cope, who has been executive chef at the hotel since 1990, specifies all of the food used in the operation, which includes two restaurants, banquet service and room service. "I revised the specs I found when I got here," he said, "but the suppliers I use are still the same ones my predecessor used. I like working with suppliers I know and trust."

The kitchen staff is 19, including Cope, who runs a two-shift operation. The stewarding staff is 11 on a three-shift day. "All of the food for the restaurants, room service and banquet is prepared by the kitchen staff," Cope explained. "We have a separate banquet kitchen behind our regular kitchen, but we are able to handle even large-scale sitdown dinners with our existing preparation staff. We do pull personnel from other departments for dish-up when we have a big party, but we don't add to the basic prep crew."

Cope uses three meat suppliers on the Monterey Peninsula and says he gets excellent results from them. "Among them I can get everything I need," he noted. "Although there are other outside suppliers who come in here offering to service us, you can't spread the business too far. I'm happy with the suppliers I have."

"Our local meat houses are really responsive to service. If something comes up in the morning, where we have to put extra meals out or there's a special party coming up, I can call in my order and get a delivery in a couple of hours, because they're all close by."

"Pete Santos, our purchasing director, actually does the ordering, but we buy by IMPS numbers, and we have very little problem. He does the receiving, and I kind of keep my eye on the meat quality. It's very seldom that we get an off-spec order. Any returns we may make are usually on the basis of size. We'll order a 12-to 14-pound strip, for example, and get in a 15 or larger."



Doubletree Hotel Monterey

Monterey, Calif.

Operation: 374-room luxury hotel with two restaurants, banquet service and room service.

No. of seats: Peter B's, 120; Plazatree, 160; banquets up to 800.

Menu: Peter B's — contemporary, regional with continental and Oriental influences; Plazatree — American, California.

Meals: Peter B's, dinner; Plazatree, breakfast, lunch and dinner.

Food specification: Don Cope, executive chef.

Key buyer: Pete Santos, director of purchasing.

That doesn't fit our plate arrangement or food costs, so it would go back, but even that doesn't happen often. Our suppliers know what we want, and we usually get it."

Seafood is a big item in this fishing port, and Cope's menus have a good selection of poultry items. "But beef is still at the top of the popularity list, especially with tourists," Cope pointed out. "We primarily buy prime rib, loins and tenderloins. When people are on vacation, they want to eat what they like, and they like beef."

For his banquets, London broil is a favorite, and Cope uses a lot of flank steak. "It used to be an inexpensive cut of meat, but it's not anymore," he said. "Anyone who has eaten so-called London broil made with round or clod, as so many supermarkets misname it, really enjoys properly prepared top-grade flank steak, the tradi-

tional ingredient for that entrée."

This summer, the hotel, which is rated four diamonds by the American Automobile Association's rating system, is featuring strawberries, garlic and artichokes, all local California coast agricultural products, at its upscale Peter B's restaurant.

"Beef works well with all of them," Cope pointed out. "June strawberry desserts go great after a beef entrée. In July we're featuring an elephant-garlic-stuffed beef filet, and in August we will have twin tournedos of beef on artichoke bottoms with two sauces."

Cope is very conscious of the wealth of fresh produce that's available in the area, which is right next door to California's Salinas Valley, lettuce bowl of the nation. "We get the freshest vegetables all year around," he emphasized. "People don't want just meat and potatoes even when they come visiting from areas where those are traditional. They still want the meat, and they want it good but they also welcome fresh vegetables cooked just right."

That's a big part of Cope's job: making sure that the ingredients are the finest available, and that they are prepared to their best advantage. "We do a lot with sauces, in a typical Western combination of both continental and Oriental techniques. It all blends well into California cuisine."

Cope is a native of Phoenix and has made career stops at Westin hotels in Salt Lake City, Denver and Los Angeles as well as the Registry Resort in Scottsdale, Ariz. He credits chef Raymond Hoffmeister of the Westin Century Plaza in Los Angeles for influencing his cooking and management styles.

Some things Cope has noted in recent years: "People are ordering somewhat smaller meat portions than they used to, but they still want meat, particularly beef. Many are conscious of fat, so in the kitchen we're far more concerned with trim than we used to be."

In addition, Cope noted that Westerners are still big beefsteak fans. "Loin steaks and filets are still among the most popular items on the menu, even in a seafood town like this one," he said. "But it's critical that you buy the best beef and make sure it's prepared properly, the way the patron wants it."

NEWS

AMEX study: Diners seek quality, not trendiness

CHICAGO — Diners in the '90s are more interested in quality and value than in trendiness when they choose a restaurant, according to research presented here.

Today's consumers want to receive such benefits as excellent service or a comfortable setting for their dining-out dollars, researcher Barbara Caplan told about 300 restaurateurs attending American Express' ninth annual briefing breakfast last month.

"The name and reputation of a restaurant are still highly important," said Caplan, vice president of Yankelovich Clancy Shulman. But the emphasis is shifting from the imagery of status to the emotional and concrete benefits that restaurants deliver. The relentless search for the new and trendy that obsessed us in the '70s and '80s has run its course."

Caplan made the remarks while she presented the results from an exclusive study commissioned by American Express for restaurant operators. Since 1971 her company's Yankelovich Monitor has tracked social trends and consumer attitudes.

Basic experiences are "in," and pretension is "out," with consumers seeking personal satisfaction revolving around comfort and pleasure, Caplan said. A return in focus on spend-

ing time with the family also is part of the shift in values.

"Capturing the idea best is the simple notion of feeling good, feeling noticed and cared for, just having a good time," Caplan said. "Eating out should ease stress, not create it."

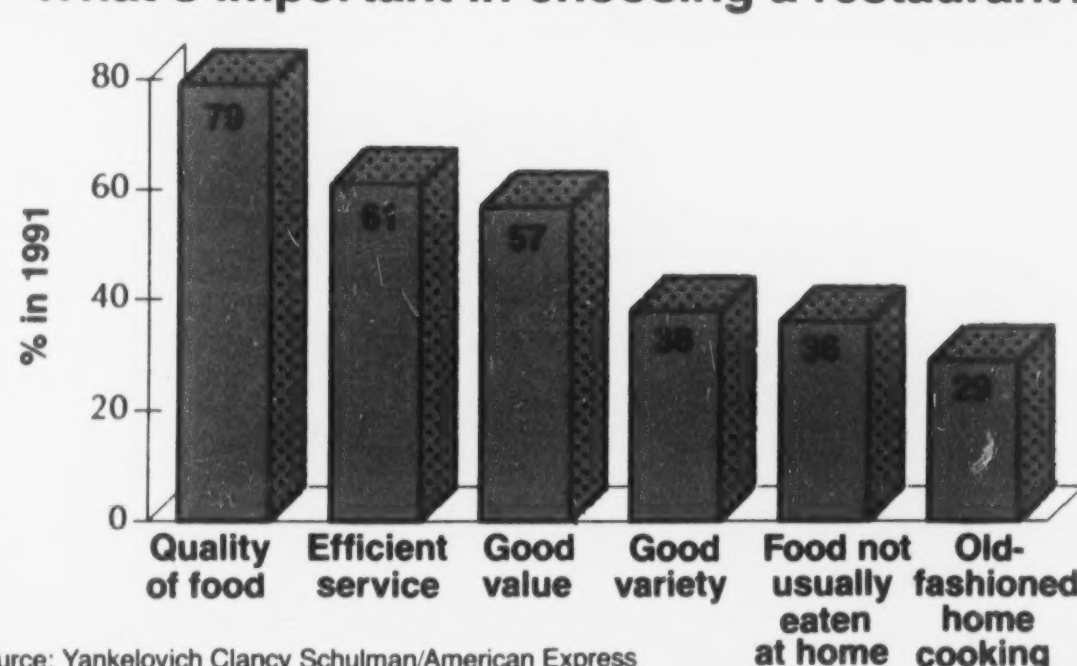
She cited the success of General Mills' Olive Garden chain, which was created based on research that showed consumers wanted big tables, hefty portions and a relaxing atmosphere in which to eat.

Similarly, while nutrition is still a factor that operators can't afford to ignore completely, concern over healthful eating seems to be less important to American diners now than in the recent past, the research showed, at least when it comes to dining out. Some 62 percent of consumers in 1991 said they don't worry about nutrition when they eat out, up from 59 percent in 1990.

"Obsession with the physical self is giving way to a balance between control and indulgence," Caplan said, adding that it's probably wise for operators to keep providing healthful "options" on their menus. "Consumers are worrying more but doing less."

Meanwhile, service remains very important to consumers, Caplan said, adding that it's important to create an atmosphere where customer

What's important in choosing a restaurant?



Source: Yankelovich Clancy Shulman/American Express

feedback — good or bad — is encouraged.

She pointed to the Cypress Club in San Francisco as an example, talking about how owner John Cunin constantly solicits comments from customers and responds promptly to complaints with a free dessert or gift certificate.

Environmental concerns ebb

While service continues to be a key part of attracting repeat business, concerns over the environment have eased somewhat among consumers, Caplan reported. Nonetheless, many consumers still expect businesses to address green issues.

"All things being equal,

consumers will choose brands that make an effort to act in a responsible way," she said.

At the same time value, defined in terms of quality in relationship to price, not just price, is very important to consumers.

"There's the belief that quality need not require top dollar," Caplan said, "nor does value require deep discounting."

Brand loyalty is another area that can be valuable for operators, especially with a highly saturated marketplace, Caplan said.

"People want a restaurant they like, a place they can call 'my place,'" she explained. "Make your identity and promises clear and keep them consistently."

Tips for success

Drawing some conclusions from the research, Caplan recommended:

- Utilizing all resources, from local press to hotel concierges, to get people to eat out.

- Not forgetting such key niches as the Baby Boomers and seniors, remembering that the first boomers turn 50 in just four years.

- Creating an environment that promises and delivers personal satisfaction for customers and employees alike.

In addition to the annual briefing breakfast held during the National Restaurant Association show, American Express also sponsors several other restaurant industry programs. It is the national sponsor of Share Our Strength's Taste of the Nation, the industry's largest fund-raising effort to fight hunger, and is a national founding sponsor of the Distinguished Restaurants of North America's award program.

American Express also sponsors two important events presented by Nation's Restaurant News: the Multi-Unit Food Service Operators Golden Chain awards banquet and NRN's Fine Dining Hall of Fame luncheon.

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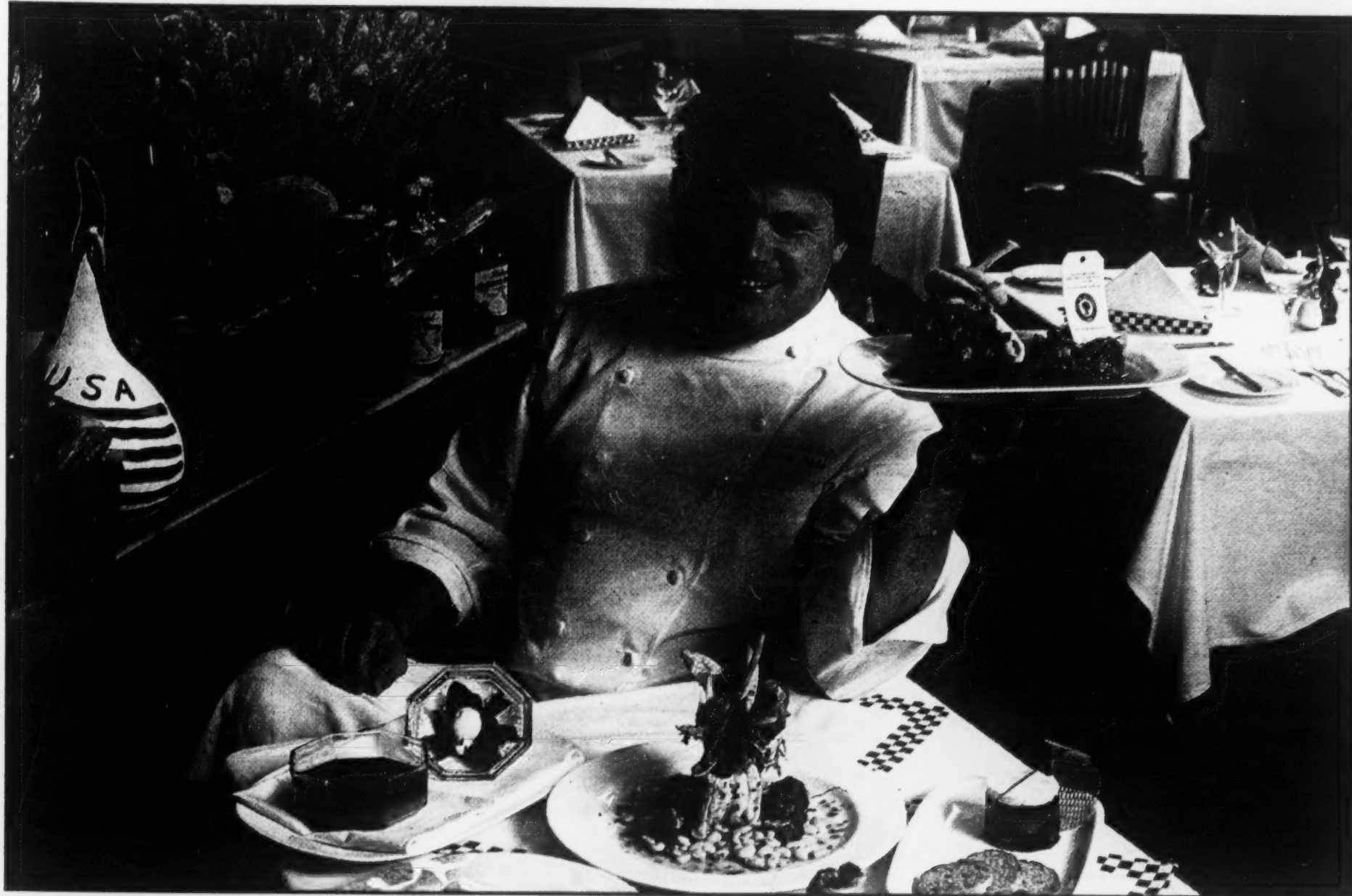
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SECOND CLASS

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Chef David Burke in the 6-month-old Park Avenue Cafe in Manhattan.

NYC's Park Ave. Cafe: A break from convention

by Pamela Parseghian

NEW YORK — Cute ceramic bunnies and green-checked seat cushions are not what most people expect to find in a fashionable Park Avenue restaurant.

But when chef David Burke and restaurateur Alan Stillman opened the 160-seat Park Avenue Cafe here six months ago, the idea of establishing yet another serious, elegant restaurant was the furthest thing from their minds.

In fact, the casual and relaxed country American atmosphere at Park Avenue Cafe is a complete transformation from the location's previous upscale occupants, Huberts and Perigord Park.

Mix-matched plates stored on wooden plate racks, early American antiques and dried wheat arrangements decorate the main dining room. The lighting is bright, and the floors

are bare.

A few steps up from the main dining room is the more intimate flag room, which has two large American flags painted on the back wall.

"The decor makes people feel more comfortable," said Stillman, who has developed numerous restaurants, including T.G.I. Friday's, Smith & Wollensky and the Manhattan (See *PARK*, page 4)

New health-insurance law may bruise NY operators

by Robin Lee Allen

ALBANY, N.Y. — State lawmakers have passed landmark legislation that will overhaul New York's health-insurance system by prohibiting insurers from rejecting sick and elderly applicants and by creating a community rating system where all customers pay similar rates.

New York joins a growing list of about 20 states, including Vermont and Florida, that have passed reforms designed to rein in health-insurance costs or make health care more universally available.

New York's law, which will

take effect April 1, could have costly repercussions for state foodservice operators dependent on commercial insurance companies for health-insurance coverage.

Commercial carriers estimate that they will be forced to raise their rates from 30 percent to 70 percent to accommodate the law's requirement that they accept all applicants. Several commercial carriers say these higher rates will drive them from the New York market by alienating customers and substantially eating into profits.

(See *NY*, page 109)

INSIDE

Details can make or break an operation

Rick Van Warner/Page 25

San Jose State's 'diner-friendly' programs

Segment Study/Page 33

Distributor shows offer diverse benefits

Patterson/Page 40

Hail Caesar! Nation retosses salad classic

by Theresa Howard

From Maui to Montauk chefs, owners and operators are rewriting the recipe for Caesar salad.

Once perceived as a special-occasion salad available only at fine white-tablecloth restaurants, Caesar salads are quickly finding their way into the mainstream as fast feeders, family restaurants and casual-dinner-house operators add them to their menus and menu boards.

But today's Caesar salads are a far cry from the original recipe created in 1924 by Italian chef Caesar Cardini in Tijuana, Mexico.

The traditional salad includes romaine lettuce, croutons, garlic, Parmesan cheese, anchovies, raw egg, olive oil,

lemon juice, salt and crushed black pepper.

But operators are redefining the classic preparation by adding such ingredients as fried calamari, avocado, mesquite-grilled shrimp, fresh crab, rosemary chicken, blackened tuna (See *CAESAR*, page 108)



A sun-dried tomato pizza Caesar salad from Eddie's Grill in Phoenix.

Wendy's Thomas set to deliver MUFSO address

by Milford Prewitt

DALLAS — R. David Thomas, the founder and senior chairman of Wendy's, whose starring role in the chain's television commercials has factored in the company's eye-popping rebound, will deliver a keynote address at Nation's Restaurant News' Multi-Unit Foodservice Operators, MUFSO, conference here.

A man who has professed a love of the hamburger business since he was 8 years old, Thomas is expected to talk about how individual initiative and creativity contributed to Wendy's success.

The morning address on Sept. 22 ties in with this year's MUFSO theme, "Imagination—Thinking Beyond the Limits."

The appeal of Thomas' commercials has been widely credited in investment and res-



Dave Thomas

taurant circles for helping to spark Wendy's impressive turn- (See *THOMAS*, page 4)

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July 20, 1992

NEWS BRIEFS

Calif.'s hike in work-comp rates marks 5-year high

LOS ANGELES — California's insurance commissioner has approved a 6.7-percent increase in workers compensation insurance premiums, the highest rate hike in more than five years but a fraction of the 23.1-percent boost sought by insurance providers.

The California Restaurant Association opposed the insurance industry's request, saying that the state's workers compensation system was fraught with fraud and should be overhauled before higher premiums are considered.

Under the newly approved rate structure, California restaurateurs and other employers now pay about \$8.35 per \$100 in payroll. Insurers contended that they need a higher rate to stay solvent because of skyrocketing costs.

"The increase is further evidence that the system has become a de facto welfare system and a de facto health-care system with absolutely no cost controls in place," said Jo-Linda Thompson, a CRA legislative official.

Food costs firmer, but still decline during June

WASHINGTON — The costs of wholesale foods declined 1.8 percent in June on an unadjusted, annual basis, firming up slightly from the prior month, according to the Labor Department's Producer Price Index.

Prices for the finished consumer foods category of the PPI, or wholesale food costs, had decreased 2.3 percent year-to-year in May and 1.9 percent in April.

Fresh and dried fruits were among the food commodity groups to sustain a major drop in price, down 39.4 percent on an annual unadjusted basis. Fresh and dried vegetables followed suit, declining 36.8 percent.

But corn prices were up 6.1 percent, cheese was up 7.8 percent and dairy products increased 5.8 percent.

In the meat categories, pork fell 0.6 percent, poultry declined 1.2 percent and beef and veal prices decreased 4.1 percent.

Koo Koo Roo founders resign, become licensees

LOS ANGELES — Koo Koo Roo co-founders Mike Badalian and Ray Badalian have sold a majority of their stake in the company and resigned as board members and officers.

The Badalians, who will be come franchisees under the deal, sold 200,000 shares each to Koo Koo Roo chairman and chief executive Ken Berg and director William Walter, plus another 200,000 shares to other investors. Berg also has an option to buy an additional 200,000

shares from the brothers by July 29. In total, the 800,000 shares would represent 19.5 percent of the company's stock.

The Badalians received the rights to franchise 25 restaurants in the Los Angeles area, an existing Studio City, Calif., unit, plus stock options for the issuance of up to 50,000 Koo Koo Roo shares. They would still hold 200,000 shares in the company even if Berg exercises his option.

Canteen purchases Tri-R Vending

SPARTANBURG, S.C. — Canteen Corp. has acquired Tri-R Vending Service Co., a small regional contract foodservice and vending company based in Chicago.

Terms were not disclosed.

In buying 35-year-old Tri-R, Canteen strengthens its share of the vending market in the Chicagoland area to nearly 600 vending accounts, said Dwyane Anderson, Chicago regional vice president for Canteen.

Canteen, a subsidiary of TW Services Inc., was founded in Chicago in 1929. The \$1.3 billion contract feeder, now headquartered in Spartanburg, S.C., has about 1,600 clients and 10,000 vending accounts.

Consolidated names president

INDIANAPOLIS — Alan B. Gilman, a management consultant for five months to Consolidated Products chairman E.W. Kelly, has been elected president and a board director of the Steak N Shake parent.

Gilman's appointment comes six months after Stephen Huse stepped down to pursue entrepreneurial restaurant ventures, including becoming a Miami Subs franchisee.

Kelly's background has been retail- and marketing-oriented.

He started his career as a management trainee with Federated Department Stores and rose in the ranks to chairman and chief executive of Abraham & Straus in New York.

In 1980, he joined Murjani International Ltd., an international marketing company, as president. After five years, he left the company to become a private investor before being tapped by Gilman to help manage Consolidated Products.

Forte ends talks with ARA over Gardner Merchant

LONDON — Forte PLC, the international hotel and foodservice conglomerate based here, has ended talks with ARA Services over the sale of its Gardner Merchant Food Services Inc. subsidiary to the Philadelphia-based service management company.

Forte, which had been in "detailed discussions" with ARA concerning its Trumbull, Conn.-based subsidiary and some of its international contract business, said that the

companies were unable to reach agreement on terms and conditions, including price.

Forte has also broken off talks with the U.K.'s Compass Group plc concerning its international contract catering business.

Indications are that Gardner Merchant will remain for sale. The international catering business and Gardner Merchant were Forte's only major business segments to show sales and profit growth during the past fiscal year.

Manchu Wok buys Magic Wok chain

TORONTO — Manchu Wok, a Chinese fast-food subsidiary of Scott's Hospitality Inc., has purchased the 12-unit Magic Wok chain.

Terms of the deal were not disclosed.

Manchu Wok purchased the chain from Mark Pi's International, a Hilliard, Ohio-based foodservice company that owns and operates Mark Pi's Ancient Wok, Mark Pi's China Gate and Mark P's Express family restaurant and fast-food concepts. The addition of the 12 restaurants, half of which are in Florida, raises Manchu Wok's total to 239 restaurants.

Judge orders BK to stand trial in encroachment suit

MIAMI — A federal judge has granted Burger King franchisee Steven Scheck the right to let a jury decide if the Miami-based franchisor breached an implied covenant of good faith and fair dealing when it allowed Marriott Corp. to open a BK branch less than two miles from Scheck's Massachusetts turnpike restaurant.

U.S. District Judge William Hoeveler, who last year denied Burger King Corp.'s motion for dismissal of Scheck's landmark lawsuit, this month rejected the company's bid for a reconsideration of the earlier ruling.

Scheck's attorney, Robert Zarco, said he expects the jury trial to begin by late fall or early winter and to last about two weeks. Scheck asserts that he was driven into bankruptcy as a result of the Marriott-owned BK unit's interception of his customer traffic.

ARA taps Barratt as president of prison-feeding arm

PHILADELPHIA — William H. Barratt, a 20-year ARA Services veteran, has been named president of ARA's Szabo Correctional Services division.

He replaces Howard E. Breeden, who had held the position since 1987 and left to pursue other interests.

In his new position, Barratt will oversee the Oakbrook, Ill.-based company's growth in the rapidly expanding correctional foodservice market. Szabo currently serves more than 120,000 meals daily at 56 prisons and jails nationwide.

FINANCIAL NEWS

Luby's sales slightly up; comparable sales down

by Theresa Howard

SAN ANTONIO — Luby's Cafeterias Inc. posted an 8 percent gain in sales and a 1.5-percent dip in comparable-store sales for the third quarter ended May 31, which yielded only a slight profit increase.

While sales were up as a result of 12 new store openings, comparable-store sales were down because of traffic declines and a 0.8-percent drop in the per-person check average, to \$4.98, compared with the \$5.02 average tab tallied in last year's third quarter.

Those factors, coupled with an increase in taxes and some costs, suppressed profits for the third quarter, which yielded only a 0.08-percent gain in net income, to \$9.053 million, John E. Curtis Jr., the company's chief financial officer, explained.

A first-time state corporate income tax law paid in the third quarter increased the company's tax rate from 34 percent to 35.5 percent — representing about 2 percent of sales — and contributed to flattened profits, he explained.

Third-quarter earnings also were held down because of an increase in operating expenses and general administration costs, which rose, as a percentage of sales, from 32.3 percent to 33.4 percent during the quarter. The increase, however, was partially offset by a decline in food costs, which were down as a percentage of sales, to 24.9 percent, compared with 25.2 percent in the year-earlier quarter.

A year-to-date increase in operating expenses and general administration costs, from \$79.3 million to \$85.7 million, contributed to a 4.6-percent annual drop in nine-month net income, to \$22.9 million, for the

period ended May 31.

Luby's again was stung by declining traffic in the third quarter, though the 1.5-percent dip was a less precipitous rate than the 5.5-percent traffic slide in the comparable period a year ago.

Curtis said traffic in the first two quarters this year was down 6 percent and 1.3 percent, respectively, compared with traffic in the same periods a year ago, when consecutive dips of 3.5 percent and 5.75 were recorded in the first and second periods.

Fiscal 1992's first-quarter traffic drop was due partly to a devastating incident last October, when a gunman shot and killed 22 customers in a Luby's unit in Killeen, Texas, Curtis said.

"In Texas there was a lot of media attention, which impacted traffic and sales for a while," Curtis explained. "There were also some additional costs associated with the Killeen incident."

Overall, Curtis said the company's sluggish performance is attributable to the current state of the economy. "This is a factor, probably, of the recession," he observed.

"Customers are not buying as much, managers are running more specials and items like the LuAnn Platter pick up in popularity in these times."

Hefty sales of the LuAnn Platter — a \$3.98 blue-plate special that includes a chicken, fish or meat entrée, two vegetables and a roll — are driving per-person check averages down, Curtis said, pointing out that the dish is the chain's only "value" item among a horde of à la carte dishes.

In some of Luby's cafeterias, sales of the LuAnn Platter

are running as high as 60 percent of total unit volume. The item accounts for 40 percent of sales in most units, according to Curtis.

"When people are crunching dollars, we run more casseroles and stew items, and they offer lower price points," he added.

In order to offset the drop in per-person check averages, Curtis pointed out, the company is trying to beef up both traffic and frequency by embarking on its first-ever print and broadcast advertising campaign. Currently being tested in Arizona, the commercials are representing a 0.5-percent rise in advertising costs, to 1 percent of sales.

In the past Luby's Cafeterias Inc. has relied solely on the use of billboards and word-of-mouth to bring in customers, Curtis remarked. But competition as well as a continued struggle in the cafeteria segment prompted the decision to begin a more aggressive advertising strategy.

"With the extremely competitive nature of the industry right now we feel we need to supplement what we are doing," he added. "There is more competition and more choices for the family dining dollar. We want to increase frequency and additional trial by our new marketing program."

The test commercials are two 30-second spots, one featuring 15 different varieties of the LuAnn Platter and another spot, which promotes the company's from-scratch method of home cooking.

"We have to get the message out more about our home-cooking and the restaurants as an alternative to eating at home," Curtis added.

FACT FILE



The country eats out . . .
Per capita annual restaurant spending by city

1. Miami	\$986
2. San Francisco	\$978
3. New York	\$963
4. Washington	\$948
5. Dallas	\$899
6. Cleveland	\$859
7. Minneapolis	\$840
8. Seattle	\$830
9. Anchorage	\$810
10. Honolulu	\$810

Source: Crain's New York Business

FINANCIAL DIGEST

Marriott's 2nd-Q net climbs 7 percent

WASHINGTON — Pointing to a number of asset dispositions, Marriott Corp. reported a 7-percent year-to-year gain in second-quarter net income, to \$29 million, on a 5-percent gain in revenues, to \$2.03 billion, for the period ended June 19.

The giant hotelier and foodservice operator said earnings reflected the impact of several extraordinary items, including the sale of the Courtyard Hotels division. Other unusual activities that influenced earnings were interest expenses associated with the opening of the lodging and senior living facilities division as well as lower deferred gain amortization in 1992 and the issuance of stock in late 1991.

Marriott said its lodging operations, overall, reported a 6-percent sales gain and a 9-percent increase in operating profit for the second quarter.

Contract services reported a 4-percent sales increase, but a 16-percent drop in operating profit.

Marriott said its first-half net income rose 8 percent, to \$40 million, on a 6-percent increase in sales, to \$4 billion.

Morrison's FY revenues top \$1 billion

MOBILE, Ala. — Led by a strong top-line performance from its Ruby Tuesday division, Morrison Inc. entered the foodservice industry's billion-dollar sales club for the year ended June 6, as revenues rose 7 percent, to \$1.03 billion.

Net income rose 23 percent, to \$32.7 million.

Morrison, which operates three restaurant chains and a contract foodservice division, said its 154-unit Ruby Tuesday casual-theme operation outpaced the other operating units. Ruby Tuesday posted a 9-percent gain in operating income, to \$29.6 million, on a 32-percent rise in revenues, to \$333.6 million.

Sandy Beall, president and chief executive officer of Morrison, said each division posted upswings in revenues and profits, built on effective operations, quality food delivery, strong price-value and friendly service.

Morrison's other operations included the 40-unit L & N Seafood Grills, 15 Silver Spoon Cafes and 161 Morrison's Cafeterias.

The company said its fourth-quarter net income rose \$8.9 million, on a 10-percent jump in revenues, to \$275.7 million.

Int'l Dairy Queen's 2nd-Q net rises 5%

MINNEAPOLIS — International Dairy Queen posted an \$8.6 million net profit in the second quarter ended May 29, a 5-percent increase, on revenues of \$86.5 million, a 6-percent gain.

The company did not elaborate about its results.

At the midyear mark, IDQ's net income was up 4 percent, to \$13 million, on a 2-percent rise in revenues, to \$143.1 million.

McD's offers plan for small shareholders

OAK BROOK, Ill. — McDonald's Corp. said it is launching a program in which investors who own less than 50 shares of the company's common stock can conveniently and cost-effectively purchase additional shares or donate the new issues to selected charities without paying a brokerage commission.

McDonald's said its offer is good for 30 days, during which time the company will make matching donations equivalent to the value of all shares donated, up to a combined maximum of \$100,000 worth of stock.

McDonald's said it "is very interested in attracting and retaining individual investors." But it noted that some shareholders may have no interest in building their investments, probably because they acquired their shares as gifts or in some other indirect manner. These types of shareholders may prefer to sell their shares but have not yet found a convenient way to do so, the company explained.

FOOD PRICE OUTLOOK

Midwest rains in early July help crops

by Patt Patterson

Processing vegetable crops in the Midwest has been helped by early July rains. Some analysts have increased their forecasts of volume available to freezers and canners. It's too early to establish prices on Midwestern products, but the outlook is for higher prices, because processors contracted for smaller acreages after being burdened with large carryovers from last season. And there was some damage done to crops by an unseasonable late June freeze, particularly in Michigan and Wisconsin.

California fresh fruit and vegetable prices are mostly low, but extremely high transportation costs for shipment to the Midwest and East Coast have

pushed final costs to operators in those areas way above normal summer levels. The truck shortage for Western crops is exacerbated by a shortage of products to haul from east to west. The recession has cut shipments of auto parts, chemicals, clothing and a broad range of other products.

Add to that a number of "gypsy" truckers who were unable to be licensed under new federal regulations because of poor driving records and failure to pass tougher tests, and Western growers are stuck with bumper crops and limited transportation. A growing number of California shippers are looking longingly at rail-

road piggyback services, but even those are limited, both from the standpoint of available carriages and the number of piggyback trailers on hand.

Orange juice consumption is up as the result of lower pricing. Late availability of the Brazilian crop, however, may tighten supplies and push prices up . . . Cocoa prices on the world market are moving up, with domestic chocolate prices due to rise as a result . . . No definitive word yet on a workable quota system from the International Coffee Association, but world coffee prices have moved upward a bit on expectation of agreement upon imposition of some controls.

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NRN Photo

Carl Quagliata shows off Piccolo Mondo's retail market section.

Casual Clevelanders tune in to Piccolo

by Carolyn Walkup

CLEVELAND — Veteran restaurateur Carl Quagliata is looking for new worlds to conquer with his latest venture, Piccolo Mondo Restaurant & Market.

Best-known for his 17-year-old Ristorante Giovanni's in suburban Beachwood — a formal, high-end Italian restaurant — Quagliata recently opened the more casual Piccolo Mondo (Italian for small world) in an effort to

attract a broader clientele.

Sales had dropped 15 percent the past year at Giovanni's — a fact that Quagliata blames on both the recession and the changing tastes of younger diners. "Young people just are not into that type of restaurant anymore," he said. "And to survive, you have to attract a younger clientele."

(See PICCOLO, page 41)

Magruder, Richards top Monday lineup at MUFSO

DALLAS — The Olive Garden president Ron Magruder and top advertising executive Stan Richards will headline the general session on Sept. 21 at Nation's Restaurant News' Multi-Unit Food Service Operators (MUFSO) conference here.

Over the past six years, Magruder has guided The Olive Garden's rapid growth into the largest Italian dinner-house chain in the nation. Emphasizing friendly service — through a culture defined as "Hospitaliano" — Magruder has positioned The Olive Garden as one of the most successful casual-



Magruder



Richards

theme restaurant chains anywhere.

Richards, founder and principal of the full-service advertising agency The Richards Group, has been honored all

(See MUFSO, page 39)

Dems eat, drink, make NYC operators merry

Visiting conventioners cast positive votes for Manhattan restaurants, \$19.92 specials

by Robin Lee Allen

NEW YORK — The Democrats may have moved toward political moderation, but, to the delight of this city's restaurateurs, their presence here in mid-July for the Democratic National Convention inspired liberal amounts of eating and drinking.

Although the nearly

Dining Out with the Democrats

See Northeast Report/Page 18



Photo courtesy of AP/Wide World Photos

Democratic presidential nominee Bill Clinton and wife Hillary are congratulated by the Arkansas delegation at the convention.

40,000 delegates, journalists and other attendees were busy with party politics during prime dinner hours, many found time during lunch and late at night to take advantage of the hospitality offered by local operators.

"It's like Christmas in July," said Andrew Freeman, director of marketing for the Russian Tea Room. "We've been sold out all week long."

Spending during the convention is expected to pump over \$111 million into the city's economy.

Contributing to the boom was a \$19.92 fixed-price lunch special designed to entice both

visitors and New Yorkers to some of the city's more expensive operations.

The special — part of the convention's official NY '92 host activities — was offered by more than 100 restaurants, several of which joined the program once it was in progress.

During the week, several other operators announced that they would be extending the special past the convention.

"The \$19.92 special turned out to be a phenomenal success," said Tim Zagat, co-chairman of food, restaurants and

(See DEMOCRATS, page 4)

Arkansas restaurateurs cheer Clinton on

by Jack Hayes

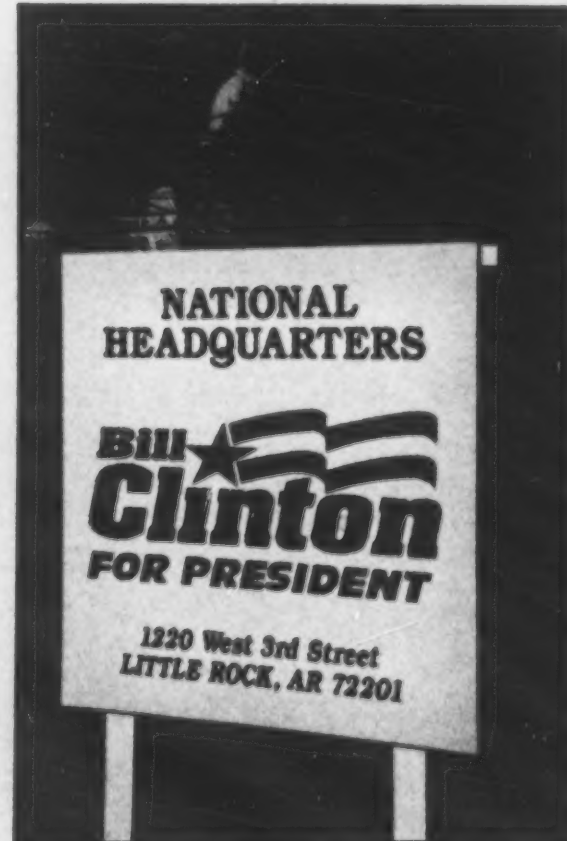
LITTLE ROCK, Ark. — Will Gov. Bill Clinton, a vegetable-loving Democrat who has dined in practically every restaurant in Arkansas during his six terms in office, strike down the Bush-imposed broccoli ban if he wins in November?

That's what a lot of restaurateurs here are predicting.

"I've been asked if he likes broccoli," said Barry Smith, who operates the 4-year-old St. Moritz Cafe, a 90-seat tablecloth concept in downtown Little Rock. "My answer is: He loves it!"

Andre Simon, the operator of 17-year-old Andre's, concurs.

"He ordered vegetable fettuccine the last time he was here," joked Simon, a Swiss-



NRN Photo

Clinton-mania has already set in around Little Rock.

born operator and now an American citizen who said he'll vote for Clinton.

But Clinton is also a big supporter of chicken and rice — the two leading farm products of Arkansas. And he also backs tourism, operators said, because it is one of the state's top sources of income — generating \$2.5 billion in 1991, according to Department of Parks and Tourism figures.

In fact, since the day Clinton threw his name into the race for president, Arkansas' foodservice and hospitality operators have watched their sales figures surge noticeably.

"This campaign is bringing a constant flow, from media to secret service, and they

(See ARKANSAS, page 40)

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July 27, 1992

NEWS BRIEFS

Restaurant sales rise 2.3% in June; menu prices increase 2%

WASHINGTON — Sales at the nation's eating and drinking places increased in June while menu price inflation continued to slow.

Restaurant sales rose 2.3 percent in June on an annual, unadjusted basis, an increase over the 1.5-percent uptick in May, according to the U.S. Census Bureau's monthly retail sales report.

Meanwhile, menu price inflation slowed for June, according to the U.S. Labor Department's Consumer Price Index. Menu prices — the food-away-from-home category of the CPI — rose just 2 percent on a 12-month, unadjusted basis after rising 2.1 percent in May and 2.3 percent in April.

When June's 2.3-percent gain in restaurant sales is discounted against the month's 2-percent hike in menu prices, the figures suggest that customer traffic rose by 0.3 percent.

House Ways and Means kills new meal tax proposal

WASHINGTON — The House Ways and Means committee has struck down a proposal to reduce the deduction for business meals from 80 percent to 75 percent.

The deduction, which was strenuously opposed by the National Restaurant Association, was part of a bill proposed by Rep. Nancy Johnson, R-Conn. intended to finance a one-year, \$2,500 tax credit on new and used homes for first-time homebuyers.

While the NRA hailed the tax credit as a laudable idea, members lobbied that the restaurant industry — like the construction and real-estate industries — also had been hurt by the recession and would be further damaged by such a measure.

"The defeat of this bill represents the first time since 1986 that members of Congress have gone on record on the business meals deduction, and they clearly have indicated that it should not be tampered with," said NRA president Richard E. Marriott.

NYC's Mondrian closes after four-year run

NEW YORK — Mondrian, a critically acclaimed fine-dining restaurant located here in midtown, has closed.

"It's basically a sign of the times," said Mondrian's chef Tom Colicchio. "There weren't enough people coming through the door. Mondrian had a very corporate feel that excluded many people from feeling comfortable."

While the 4-year-old restaurant is owned by six silent partners, Colicchio and general

Slater, 3 execs out at S&A; Metromedia moves to fill gaps

DALLAS — Metromedia Co. has seized tighter control of S & A Restaurant Corp., operator of Bennigan's and Steak & Ale restaurants, after four top S & A executives resigned.

Donald J. Slater, who served as president of S & A since 1987 when Metromedia first acquired a stake in the company, left as a result of what Metromedia called "strategic differences."

Other members of the S & A management team who resigned were chief financial officer Robert S. Svehlak; Jack Camp Fitch Sr., vice president and general manager for Steak & Ale; and Andrew J. Revella, vice president of research and development.

Metromedia named Arnold L. Wadler, a senior Metromedia vice president and company strategist, acting president of S & A and said he would put together a new management team.

Stuart Subotnick, executive vice president of Metromedia, said the company is becoming more actively involved in the day-to-day management of its restaurant chains.

"Restaurants are the largest segment of Metromedia's

business, and, therefore, it makes sense that we become more closely involved," Subotnick said. "Our goal is to perfect the concept positioning of each chain by addressing the needs and desires of customers."

"It was a decision by Metromedia that the strategic outlook of that management team was inconsistent with where Metromedia wants this business to go," Metromedia spokeswoman Jennefer Hirshberg told the Dallas Morning News.

Slater is part of a management group that owns a 10-percent share in S & A, which in 1991 generated \$675 million in sales from its 380 restaurants.

Metromedia is a private partnership based in East Rutherford, N.J., and controlled by billionaire John Kluge. About 60 percent of Metromedia's investments are in restaurants, including the Ponderosa and Bonanza family steak houses. Metromedia also has holdings in telecommunications, automotive components, computer software, medical technology and a majority interest in Orion Pictures Corp.

manager Steve Lavin were responsible for daily operations.

Colicchio, who was at the restaurant for three years, said, "I'd like to do the same type of food in an atmosphere that is more accessible to a broader scope of people."

Papa Gino's signs deal with General Cinemas

DEDHAM, Mass. — Papa Gino's, the 230-unit pizza chain based here, has inked a deal with General Cinemas to offer Papa Gino's pizza in 20 movie theaters in the Northeast.

The deal could potentially be expanded into as many as 100 theaters, said chief operating officer James Grimm.

Papa Gino's products are served from the general concession areas and prepared and delivered from nearby Papa Gino's outlets.

Papa Gino's has also developed a separate foodservice division to help spur additional growth in other non-traditional areas — including school lunch programs.

Tolbert appointed Sky Chefs CFO

ARLINGTON, Texas — Patrick Tolbert has been named chief financial officer and executive vice president of Sky Chefs Inc., the airline caterer based here.

He replaces Carol Cooke, who was named senior vice president of finance.

Tolbert, 46, was most recently senior vice president and

chief financial officer of Sunbelt Beverage Corp., a \$535 million beverage distributor based in Baltimore, Md.

Logan's Roadhouse founder resigns

LEXINGTON, Ky. — One month after forming a partnership with the Nashville, Tenn.-based O'Charley's Inc. to expand his new casual-steakhouse concept, Logan's Roadhouse founder David Toole has resigned.

"We had differences in corporate culture," said Logan's chief executive officer Ted Moats — who owns 80 percent of the fledgling Logan's group with O'Charley's principals David Wachtel and Charles McWhorter.

Toole, meanwhile, said he has signed a deal with a new backer and plans to launch a new roadhouse concept.

Smith in talks to open Outback franchises

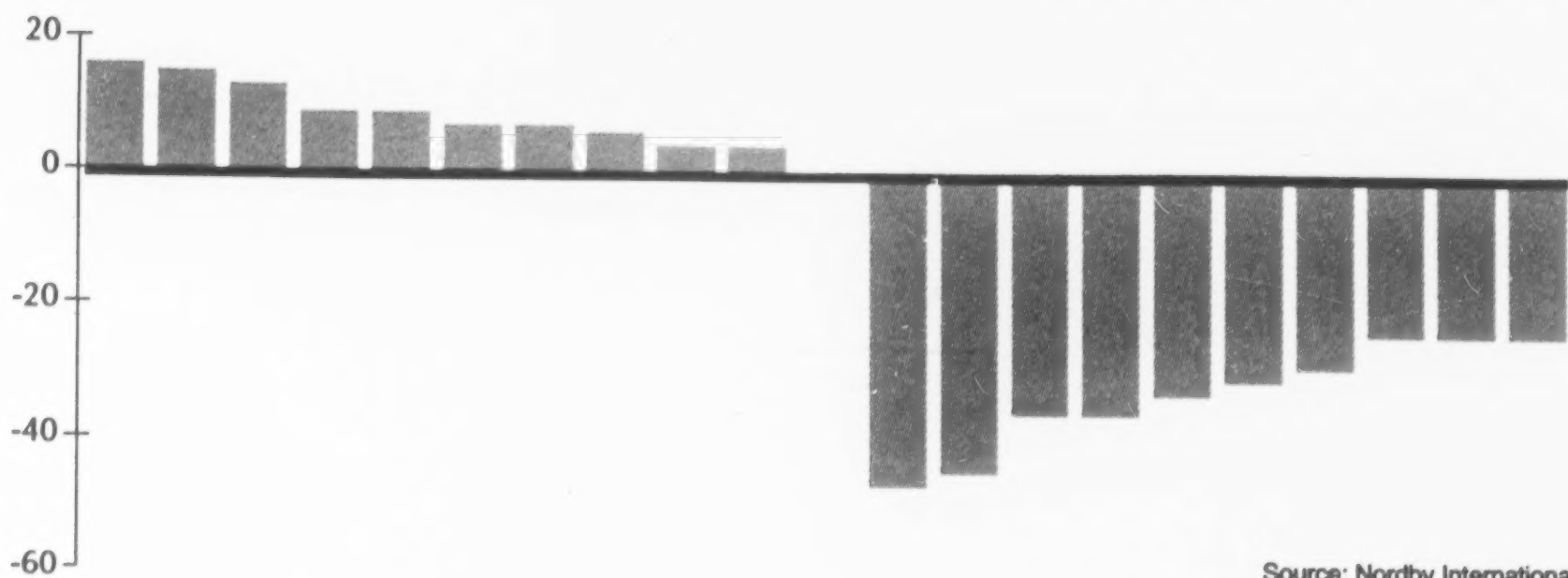
TAMPA, Fla. — Hal Smith, the former president of Chi-Chi's Inc., is negotiating with Outback Steakhouse Inc. to become a franchisee for the state of Oklahoma.

Smith left his Chi-Chi's post in May after a six-year stint as president and chief executive. Before that he served as president of Chili's and was a 13-year veteran of S & A Restaurant Corp., operator of Steak & Ale and Bennigan's. The casual-steak-house chain currently operates 66 units.

FINANCIAL NEWS

NRN Stock Index: Top 10 gainers and losers of 2nd quarter 1992

(stocks ranked by percentage change since March 31. Stocks that started the quarter under \$2 are excluded.)



Source: Nordby International

Restaurant stocks take modest dip in 2nd qtr.

by Milford Prewitt

NEW YORK — The steam seeped out of restaurant stock values in the second quarter as a large cross-section of industry issues plummeted in per-share price.

The allure of restaurant securities as one of the hottest investment areas over the past 18 months — a period that saw some 20 companies tap the equity markets with first-time stock offerings — fizzled at the mid-year mark as the bears returned to Wall Street.

Nearly 70 percent of the 82 restaurant stocks tracked by the Nation's Restaurant News Stock Index had lost value when the first half ended June 30, with losers outnumbering gainers by nearly 3-to-1. Fifty-six of the stocks declined, 20 advanced and three were unchanged. (Three new issues from initial public offerings had no comparative histories.)

Only seven restaurant

stocks had recorded double-digit percentage gains in value at the half-year mark. Among those were McDonald's, which, for the first time in years, ranked among the NRN index's top 10 gainers, rising 15 percent to \$46 a share.

The biggest loser of the period was the beleaguered Sbarro, whose per-share price lost nearly half of its value since the end of the first quarter, falling 47 percent to \$23.75.

But even consistently profitable companies like Cracker Barrel and Wendy's saw their share prices collapse. Cracker Barrel's issues fell 9 percent to close the quarter at \$31 a share.

Overall, the NRN Stock Index — a market-weighted value measurement of restaurant stock performance and the industry's broadest foodservice stock index — declined 3 percent in the second quarter to close at 308.20.

Michael Mueller, a stock analyst with Montgomery Securities in San Francisco, said foodservice issues were victims of a what-goes-up-must-come-down law. With much of the segment already overpriced and basking in high multiples and share prices, the unbridled ascent of foodservice issues would have been difficult to sustain, he asserted.

But Mueller stressed that the second-quarter weakness is not a sign that investors are abandoning the segment or that companies are performing poorly. Rather, he argued, the underlying operating fundamentals of many restaurant chains — including Wendy's, Cracker Barrel, Rally's and others whose stock prices fell — remain strong and vibrant.

He suggested that many share prices were squeezed by the segment's overall decline — (See *RESTAURANT*, page 39)

FOOD PRICE OUTLOOK

Pork belly prices drop, supplies up

by Patt Patterson

There's a cynical saying among consumer advocates that a 1-cent increase in raw materials is so critical that it immediately causes a jump in food prices, but a 10-cent decrease is so insignificant that it doesn't affect prices at all. Right now, the foodservice industry is seeing evidence of that in bacon prices.

Pork belly prices have dropped to a 15-year low, but bacon prices haven't followed suit. Hog production has been very strong this year, and pork is being promoted as "the other white meat," and sales are climbing. But bacon sales are off, and pork bellies, the raw material from which bacon is made, are overflowing warehouses.

The war in Yugoslavia is

cutting supplies of canned hams from that country. Although Danish hams are in good supply, overall stocks of imported product are down, and prices are expected to rise.

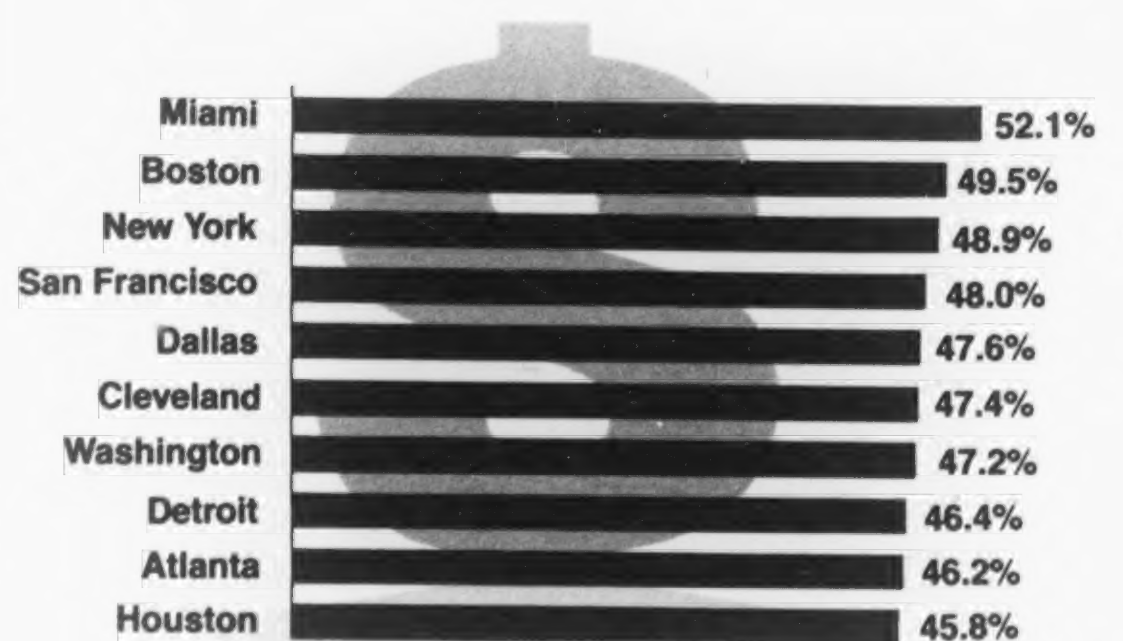
Although shippers f.o.b. prices for California lettuce and melon prices are low, truck transportation is so tight that truckers are demanding — and getting — rates to the East Coast that, in some cases, amount to nearly double the cost of the produce itself. Rates to the Midwest are lower, but still far above normal seasonal highs. As a result, operators are paying higher prices for many West Coast fruits and vegetables than they would expect to at this time of the year.

Midwest vegetable producers have been profiting from the rains that have hit the region. Although the effects of an extended dry period was lessened by cool weather that reduced stress on crops, the mid-July rains coming in conjunction with hot weather has been welcomed by growers. Expect prices to drop on most Midwest vegetables as the harvest season progresses.

Canning tomato acreage in California, in the Midwest and in the Middle Atlantic states is down, but the crop looks good, and strong carryover stocks should keep canned tomato and tomato product prices close to last year's levels.

FACT FILE

% Of Food Dollars Spent Out Of Home



FINANCIAL DIGEST

Checkers' 2nd-Q net quadruples

CLEARWATER, Fla. — Crediting gains by franchisees, Checkers Drive-In said the company's second-quarter net income increased nearly fourfold over the year-ago period, to \$2.6 million, on revenues of \$20.1 million.

In the year-ago period the company posted \$655,000 in profits on revenues of \$9 million.

Checkers said franchisee growth was the key reason behind the strong performance for the quarter ended June 30.

The company said first-half net income soared to \$4.6 million, versus \$1.1 million a year ago, on a 121-percent increase in revenues, to \$36.6 million. Systemwide sales for the first six months rose 143 percent from year to year, to \$39.1 million, the company said.

The chain ended the quarter with 158 restaurants, including 62 company-owned branches.

Sales gains lift ShowBiz's 2nd-Q net

IRVING, Texas — Citing improvement in comparable store sales and operating margins, ShowBiz Pizza Time reported a 28-percent year-to-year increase in net income, to \$3.2 million, on a 16-percent gain in revenues, to \$58.8 million, for the second quarter ended June 26.

ShowBiz said same-store sales of its Chuck E. Cheese's and ShowBiz restaurants increased 1.5 percent over those in the year-ago quarter despite the negative impact of the Easter weekend and disruptions in the company's Los Angeles market branches. Comparable store sales through the first half increased 4.2 percent over last year's midyear mark, ShowBiz said.

The company's Monterey Tex-Mex Cafes chain posted a 9.6-percent increase in same-store sales during the second quarter.

Showbiz said net income at the half-year mark was up 34 percent over last year's first-half net, to \$8.7 million, on a 19-percent gain in revenues, to \$123.7 million.

Sonic's sales improve 3rd-Q results

OKLAHOMA CITY — Sonic Corp., operator of the Sonic Drive-in chain, said improved same-store sales boosted the company's third-quarter net income to \$1.8 million, more than double the period's profit last year, on a 28-percent rise in revenues, to \$17.8 million.

Company-owned average store sales increased 8.1 percent for the third quarter and 8.9 percent for the nine months ended May 31.

Systemwide sales were up 16 percent, to \$431 million, at the nine-month mark, compared with the like period last year.

Sonic said its net earnings through the first three quarters were \$4.5 million, a 167-percent year-to-year increase, on revenues of \$46.5 million, a 21-percent gain.

Outback to offer 375,703 shares

TAMPA, Fla. — Outback Steakhouses filed a registration statement listing a public offering of 375,703 shares of common stock currently owned by certain non-management stockholders.

All of the 375,703 shares proposed to be offered are issued as outstanding shares.

In recent trading, Outback's share price closed at \$33.75.

Good Times offer garners \$5 million

BOULDER, Colo. — Good Times Restaurants, a regional twin-lane drive-thru operator, grossed over \$5 million on the sale of 720,000 investment units priced at \$7 each.

Each unit comprised two common shares and one warrant. The warrants are exercisable at \$3.50 a share through June 15, 1995.

Good Times said it will use the net proceeds for restaurant development, debt repayment, working capital and burger-unit remodeling.

Nation's Restaurant

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

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August 3, 1992

Top 100 growth rate rebounds

by Richard Martin

Following the recession's severe stifling of sales last year, the collective growth rate of foodservice's Top 100 chains is on the rise in 1992 as many of the industry's highest-grossing concepts struggle to accelerate their expansion and exploit new marketing ploys.

Led by the dinner-house, family and pizza segments, the Top 100 chains will score a

5.5-percent nominal gain in domestic sales in the current year, to \$96 billion, after growing by only 3.7 percent last year, according to Nation's Restaurant News' annual census of foodservice's leading chains and companies.

The foodservice revenues of the 100 top-grossing companies, meanwhile, will grow by an unadjusted 5.6 percent this year after a 3.8-percent rise in 1991, NRN's exclusive Top 100 forecasts reveal.

Such high-ranking chains as the Applebee's Neighborhood Grill & Bar and Ruby Tuesday dinner houses, Cracker Barrel Old Country Store family restau-

rants and Little Caesars Pizza are driving their respective categories to the forefront in terms of segment growth. The 13-chain dinner-house contingent leads the pack by setting a projected 10.3-percent system-wide sales growth pace this year.

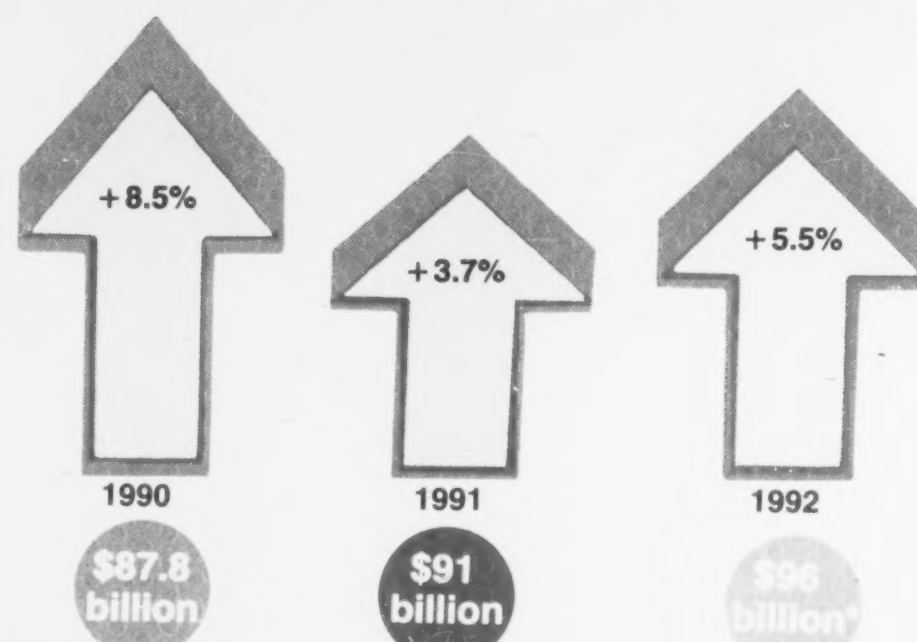
Trading on their demographic strengths and perceived sales growth potentials, the top-ranked casual dinner houses are tapping low borrowing rates and building new restaurants at a breakneck pace. T.G.I. Friday's, Chili's and Applebee's are among the five chains in the segment that are expanding at double-digit clips this year, as projected by the Top 100 study.

But average-sales-per-unit growth throughout the Top 100's dinner-house segment is slight at best despite the burgeoning field's cumulative ascent.

For their part, the sister

Total sales growth rate of the top 100 chains

(year-to-year percentage change)



*Projected

Source: NRN Research

Red Lobster and Olive Garden dinner-house systems are defying demographic convention by rapidly invading small cities,

where cheaper construction costs help compensate for average store sales that are some (See *GROWTH*, page 4)

INSIDE NRN'S TOP 100

- Segment-by-segment analysis
- Top 100 company rankings
- Top 100 chain rankings
- Annual comparisons, 1990-92

FULL REPORT BEGINS
ON PAGE 39

Tarpy's rustles up Old West charm

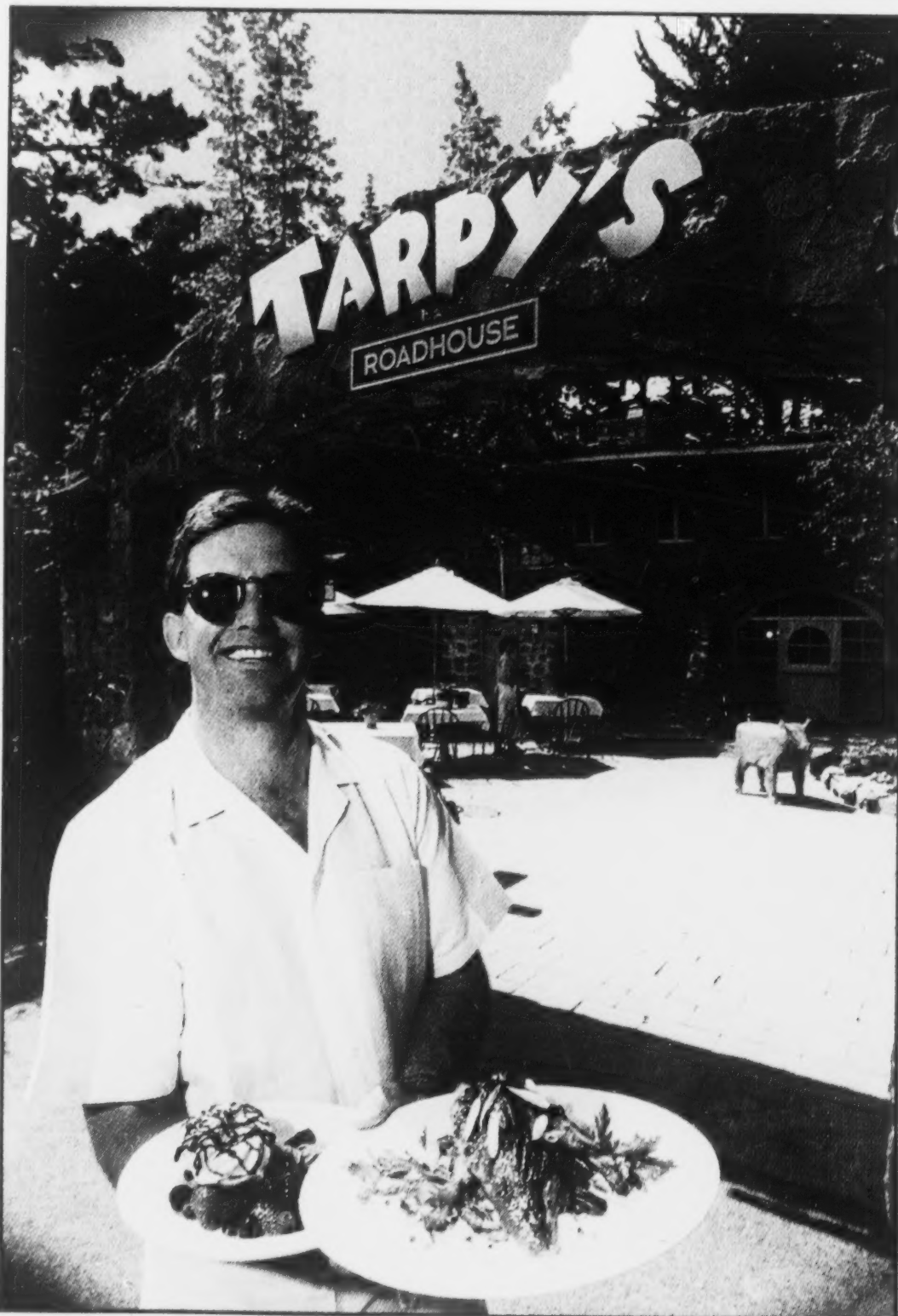
by Alan Liddle

DEL REY OAKS, Calif. — Tarpy's Roadhouse, a new highway-side venture by the operators of the thriving Rio Grill in Carmel, successfully combines the rough-and-tumble romance of the Old West with the rustic charm of a weathered European villa.

Open since late May, the restaurant is just off semirural Highway 68 in Del Rey Oaks. The "Y" intersection near the restaurant guides motorists to the coastal resort of Monterey and seaside village of Carmel; other surf cities, including Marina and Santa Cruz; and the rich farmlands surrounding Salinas.

Shrouded by trees, Tarpy's vine-covered stone walls and flower-dotted patio are easily overlooked by tourists in a hurry and new residents of the growing region. Despite the challenge, managing partner Tony Tollner said an average of

(See *TARPY'S*, page 157)



Tarpy's Roadhouse co-owner Tony Tollner on the patio.

NRN Photo

Food quality rift, sales slump spur shakeup at S&A

by Bill Carlino

DALLAS — The sudden ouster of S & A Restaurant Corp.'s top management team late last month was prompted by parent Metromedia Co.'s displeasure over stagnant sales growth and the departed executives' move to lower purchasing standards at the expense of food quality.

"The company hadn't seen top-line growth under present management," said Jennefer Hirschberg, a spokeswoman for parent Metromedia Co. "A company has to stay attuned to the needs of the customers. Metromedia intends to focus on upgrading quality and increasing volume."

Asked to resign from the company, which operates the 157-unit Steak and Ale and 223-unit Bennigan's chains, were S & A president Donald J. Slater; chief financial officer Robert S. Svehlak; senior vice

president and general manager Jack Camp Fitch; and research and development vice president Andrew J. Revella, who also headed purchasing.

Contacted at their homes, both Slater and Svehlak declined to comment.

Metromedia has quickly installed Arnold J. Wadler, a senior vice president and veteran strategist, to oversee the company on an interim basis. The company confirmed circulating reports that Wadler arrived at S & A's Dallas headquarters with a company security officer in tow to "make sure none of the assets were taken" and to "oversee their departure."

"Metromedia is presently taking a more hands-on role in their restaurant holdings," Hirschberg said.

S & A's purchasing strategy (See *S & A*, page 157)



Slater

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August 3, 1992

NEWS BRIEFS

Pizza Hut eyes testing chicken to boost traffic

WICHITA, Kan. — Pizza Hut, reportedly ruffling the feathers of sister chain KFC, is planning to test several chicken products in an attempt to increase dine-in traffic at the chain's full-service restaurants.

Though a Pizza Hut official confirmed that the company has considered testing rotisserie or fried chicken items for some time, the company is not expected to begin testing a chicken line until early next year.

Meanwhile, Pizza Hut has recruited former Ponderosa executive vice president of marketing Richard Biederman to help determine whether the chicken route or other menu expansion, such as pasta, will be the best source for drumming up in-store business.

Biederman has been named to the newly created post of vice president of concept development at Pizza Hut and will be reporting directly to the pizza chain's new chief executive and president, Allan Huston.

Church's licensees, unsecured lenders back banks' plan

AUSTIN, Texas — Church's Fried Chicken franchisees and unsecured creditors of parent company Al Copeland Enterprises have endorsed a Chapter 11 bankruptcy reorganization plan for the company proposed by the Canadian Imperial Bank of Commerce and Merrill Lynch & Co.

The Church's Independent Franchise Association and the creditors also voted to reject Copeland's alternative proposal, paving the way for ratification of the CIBC-Merrill Lynch plan by U.S. Bankruptcy Court Judge Frank Monroe.

Under that plan Al Copeland Enterprises, which also owns the Popeyes Fried Chicken franchise chain, would be acquired by the lenders in a debt-for-equity exchange.

However, Copeland has filed a petition challenging the endorsement, claiming that the chairman of the creditors' committee saw confidential information that made him change his vote on Copeland's plan from "abstain" to "no."

Calif.'s Del Taco buys back national rights from Grace

COSTA MESA, Calif. — Del Taco Inc., operator and franchisor of the 280-unit Del Taco chain in California, has bought back the out-of-state rights to its brand from W.R. Grace & Co. and is launching an aggressive national franchising program.

Terms of the transaction were undisclosed.

"We're now officially the only Del Taco worldwide," said Kevin K. Moriarty, president and chief executive of the Costa Mesa-based chain of Mexican

and American fast-food restaurants. "We've cleared the path for accelerated growth far beyond our Southern California roots."

W.R. Grace, the financially stressed chemicals and health-care products conglomerate, operated 66 Del Taco restaurants, primarily in the Southeast, as part of a 100-unit fast-food division based in Atlanta. In April, Grace, which held the rights to Del Taco outside California for more than a decade, sold the restaurants to segment-leader Taco Bell for an undisclosed sum.

The 27-year-old Del Taco, which ranks a distant No. 2 in the Mexican-fast-food market after "value" king Taco Bell, has been staging a resurgence with store remodelings, menu refinements and its own less-than-\$1 pricing strategy.

Round Table ESOP buys 70% stake from investors

SAN FRANCISCO — Round Table Pizza Franchise Corp.'s employee stock ownership plan (ESOP) has bought nearly 70 percent of the company from outside investors for an undisclosed amount, bringing the ESOP ownership to 98.9 percent.

Round Table would not discuss why the independent investors liquidated the stock but did say that the only alternative to the ESOP buyout would have been an acquisition of the 568-unit, franchised chain by a "third-party buyer."

LEYE to manage Fog City Diner branch at mall

BLOOMINGTON, Minn. — Lettuce Entertain You Enterprises, the Chicago-based dinner-house group founded by Richard Melman, will manage the first U.S. branch of San Francisco's Fog City Diner in the colossal Mall of America here.

The high-grossing diner — a chrome-clad, '30s-style landmark that spawned a Tokyo clone — was fashioned by noted restaurant designer Pat Kuleto and launched in 1985 by Real Restaurants Inc. Co. founders Bill Higgins, chef Cindy Pawlcy and Bill Upson, who formerly worked for Melman at the Pump Room in Chicago.

The Fog City concept, which boasts a stylish decor and a small-plates "grazing" menu featuring crab cakes, chili and a signature hamburger, is one of 22 full-service restaurants opening in the Bloomington mall, which is set to debut this month.

LA's Trumps set to end 12-year run in proposed sale

WEST HOLLYWOOD, Calif. — Trumps, the contemporary fine-dining restaurant whose opening in 1980 helped spark the ascent of Los Angeles' culinary reputation, would adopt a new name and menu concept

following a proposed sale to the owners of Columbia Bar & Grill in Hollywood.

"It's time to kill it," said chef-owner Michael Roberts, blaming Trumps' planned sale on the recession and the city's fickle gourmets. "When you're 12 years old, people forget about you in this town," he said, declining to confirm that Columbia's owners had made a purchase offer.

A source said lease terms posed the last negotiating hurdle before a final sale agreement could be reached. A partner in Columbia Bar & Grill would not discuss plans for the Trumps site.

Roberts, whose inventive cuisine helped earn Trumps its induction into the Nation's Restaurant News Fine Dining Hall of Fame, said he plans to open a new west side restaurant with a menu influenced by Eastern European cooking.

ARA debuts food complex at vast Sears installation

HOFFMAN ESTATES, Ill. — ARA Services has launched the first phase of its foodservice operations — a branded fast-food court — at the new and sprawling Sears, Roebuck and Co. Merchandise Group based here.

Next month the Sears complex, which houses some 5,000 employees, will inaugurate its ARA-run main cafeteria, including a wok station, a grill, daily hot entrée selections, a pasta station, a salad bar, a made-to-order sandwich deli and a build-your-own taco salad station.

In addition to the Philadelphia-based contractor's own ARA Grillworks concept, the fast-food court includes licensed Taco Bell, Connie's Pizza and Robinson's No. 1 Ribs outlets.

Pepsi's profits rise 15 percent

PURCHASE, N.Y. — Despite a subpar performance by the Pizza Hut division, PepsiCo Inc.'s restaurant group tallied sharp gains from Taco Bell and a resurgent KFC during its second quarter.

Year-to-year operating profits for the restaurant division jumped 15 percent, to \$178 million, on a 15-percent rise in revenues, to \$1.8 billion.

Pizza Hut, accustomed to double-digit gains in quarterly profits, posted only a 2-percent gain in operating income, to \$80 million, for the three months ended June 13. The segment leader posted a 10-percent increase in revenues for the period, to \$816 million.

PepsiCo said Pizza Hut was burdened by higher cheese costs, curbed discounting and declines in same-store sales.

KFC, meanwhile, expanded its operating income in the quarter by 50 percent from year to year, to \$50.7 million, on a 23-percent increase in revenues, to \$516.4 million.

The Taco Bell division's second-quarter operating profits rose 11 percent, to \$47.3 million, on a top-line gain of 17 percent, to \$552 million.

NEWS

Ciatti's directors resign after clash over acting prexy's planned changes

by Peter O. Keegan

EDINA, Minn. — More than half of Ciatti's Inc.'s board has abruptly resigned over a dispute about which direction to take the stagnant Italian dinner-house operator.

Former president William Ferril and board members Ben E. Fellows, Charles F. Ruhr and Paul Baszucki called a special directors meeting on July 20, and then they handed in their resignations to the three remaining directors, chairman L.E. "Dan" Danford, acting president and chief executive officer Phillip Danford and director and founding investor Thomas A. Kelm, a political lobbyist.

None of the four exiting directors returned phone calls from this publication.

"There was a difference in opinion in which direction the company should go, but I did not know that they would all resign en masse," Danford said. "We made it clear that we are not opening any more units the way the concept is presently."

Danford said the company is trying to make the 13-unit regional chain more casual and has

taken a "step in the right direction" with a new unit that recently opened in Woodbury, Minn. Ciatti's interior umbrellas, similar to those at Olive Garden, have been removed at that restaurant to create a more open atmosphere with fewer booths. The design is "funkier," Danford said, with the waitstaff clad in Bermuda shorts and t-shirts.

"We want to differentiate ourselves from Olive Garden," Danford explained. "They are going after the Red Lobster market; our customer is more upscale with a higher education and higher income."

Danford said a future prototype could include open kitchens and a wood-fired brick oven for pizzas. He noted that the changes could be instituted in the next six months to a year.

According to sources, a rift between the four board members and Philip Danford was the impetus behind the exodus. After Ferril exited in May, Phillip Danford, 43, stepped in as interim president while his brother and Ciatti's co-founder Dan Danford Jr. was named chair-

man of the board.

Older brother Dan had stepped down as president in 1988 to pursue a career with investment banking firm Piper Jaffray & Hopwood in Minneapolis, handing the role to Ferril. Phillip Danford, a "hands-

Ciatti's Inc.

on" entrepreneurial person, was temporarily moved up from his position as executive vice president, chief operating officer and director — a position he has held since 1988.

Chairman Danford said that the search is ongoing for a permanent president and chief executive and that his brother Phillip was a "strong candidate."

Ciatti's was launched by the two Danford brothers 10 years ago. Phillip Danford worked in the first Minneapolis restaurant in 1982 for a year as

chef and general manager, putting together the menu and fine-tuning the concept operationally.

He left for New York City after the resignations to look at concepts and trends — part of an ongoing tour of the nation — and has his own ideas about turning sales around through concept changes.

"He has ideas, and so do I; the whole company is working on it," observed chairman Danford, who scoffed at reports that the four directors were "miffed" that Phillip Danford was not sharing his plans with them.

Another bone of contention between the two factions was Danford's refusal to bring in consultants to help shape strategies for the chain's future. "We don't believe that you show leadership by hiring consultants," Dan Danford said.

Ciatti's has been stung by hard times in the upper Midwest as well as by increased competition and lagging same-store sales.

"In order to appeal broadly and achieve strong numbers," Danford explained, "we want

the concept in concert with current lifestyles."

For the third quarter ended March 29, net income rose 156 percent, to \$239,000, for the period, with sales for the period, boosted by three new store openings, up 22 percent, to \$5.7 million. But profits for the nine months plunged to \$25,000, compared with \$233,000 for the year-ago period, despite a 13-percent rise in sales, to \$15.3 million.

In the second quarter, the company said that general softness and the economy contributed to a \$91,000 loss. Since an initial public offering was made three years ago, the local over-the-counter stock has dipped to \$1 from an initial high of \$3.

"We feel that the concept, while good, is not great," Danford pointed out. "To achieve the revenues and earnings numbers we want, it has to be more casual and appeal to a stronger audience."

"People want more than good food at a good price," he added. "Consumers want an atmosphere that is inviting and fun."



Mount Prospect rejected Hooters' proposal to build a unit similar to this one in downtown Chicago.

Chicago suburb rejects Hooters unit as offensive

by Carolyn Walkup

MOUNT PROSPECT, Ill. — Saying that it finds the concept distasteful, the village board of this northwestern suburb of Chicago has rejected a proposal from Hooters Restaurants to build a 7,540-square-foot restaurant here.

Leo Floros, a village trustee who voted with the majority in the 3-2 decision, stated: "An awful lot of people — we are talking mostly women — find its marketing approach to be offensive. It's not the kind of thing we need or want in a family

community."

Hooters is a fast-growing Atlanta-based casual dinner-house and bar chain that features all-female dining room crews. The provocative uniforms worn by Hooters' invariably young, attractive waitresses — consisting of tank tops and short shorts — have raised objections of some citizens, particularly when those uniforms are displayed on reclining models on billboards.

Not all trustees lined up against the concept, however.

Trustee George Clowes, who voted in favor of Hooters' proposal after visiting a unit in downtown Chicago, said: "The Constitution doesn't say you have a right not to be offended. I don't think it's the place of a village board to exercise police power in rejecting this restaurant. Let the marketplace decide."

Since one Mount Pleasant trustee was not present for the vote, it's possible he could bring up the issue for another vote at a future meeting. The issue came (See *HOOTERS*, page 156)

Ex-Disney exec Vance to speak at MUFSO

by Rick Van Warner

DALLAS — Creative thinking expert and former Disney executive Mike Vance will speak about entrepreneurial spirit, motivational management and creative leadership during an address at Nation's Restaurant News' Multi-Unit Food Service Operators conference — MUFSO — here Sept. 21.

Vance worked with Walt Disney during the development of Walt Disney World. He served as dean of Disney University, the company's renowned training facility, and was in charge of idea and people development for Walt Disney Productions, Disneyland and Walt Disney World.

Today Vance delivers seminars and helps businesses design comprehensive training and development programs. He has helped such companies as Apple Computer, Pillsbury, General Foods and Avon products apply his creative approach and techniques. Through his Vance Design Inc. he helped General Electric design its \$6.5 million training facility.

Vance got started early in the speaking business when he hosted a radio talk show called "Teen Talk," during his high-school years in Greenville, Ohio.

The Ohio State University graduate served two years as an infantry officer in the Korean war, where he started several



Mike Vance

orphanages for Korean children. After he returned to the United States, he founded a church for children in Columbus, Ohio, and a youth camp in California.

Returning to the realm of public speaking, he later created, produced and directed his own television talk show in Los Angeles. He credits that show, which was called "Men at the Top," with exposing him to the philosophies of the many successful leaders whom he interviewed.

NRN's 33rd Annual MUFSO conference will be held Sept. 20-23 at the Loews Anatole in Dallas. For more information contact MUFSO manager Coleen Harte at (212) 756-5199.

NEWS

Bresler's adds Pro*Portion Cafes to its stable

by Carolyn Walkup

DES PLAINES, Ill. — Continuing in its growth mode, Bresler's Industries has acquired Pro*Portion Cafes of Hauppauge, N.Y., a 13-unit chain of quick-service, healthful-menu restaurants operated on Long Island, N.Y.

Bresler's, operator of Bresler's Ice Cream & Yogurt, Cafe Bresler's and Larry's Ice Cream & Yogurt, plans to expand Pro*Portion Cafes from its Long Island base, according to David Lasky, Bresler's president.

Portion-controlled foods for dieters will be maintained, and more mainstream healthful items will be added.

"Our acquisitions are targeted in the healthy-eating, quick-service segment, where we

see great growth potential, as well as in the dessert field, where Bresler's has been successful for many years," Lasky said.

Bresler's also purchased the Florida-based Larry's Ice Cream & Yogurt in 1990.

The company declined to reveal what it paid for Pro*Portion.

Created originally for dieters, Pro*Portion Cafes have operated since 1984 under founder Richard Rubin, who was formerly a vice president of Weight Watchers Suffolk.

Many units are located in strip centers near Weight Watchers centers. However, "that's not necessarily the direction we will be taking," said Michael Rapaport, Bresler's director of marketing. "We will

expand that to the healthy eater." Nevertheless, Bresler's hopes to retain current customers who are following weight-loss diet plans.

Dennis Jarrett, who developed Cafe Bresler's — the company's full-meal expansion vehicle — will spearhead the Pro*Portion expansion as well. Cafe Bresler's offers salads, sandwiches, quiche and focaccia with toppings as well as ice cream and yogurt.

Current Pro*Portion signature items include Scrambled Salads and pita pocket sandwiches. Ten salad varieties are available, ranging from a chef's salad for \$5.75 to a shrimp salad for \$6.25, made to order with a choice of low-calorie dressings. Calorie counts are

listed on menu boards.

Other items include pita pizzas, quiche, stuffed baked potato, soups and "egglettes" — omelets prepared with no added fat, served with a half pita. Pro*Portion also features a retail line of portion-controlled frozen prepared entrées and desserts.

"There are frozen desserts in all of our concepts," Rapaport pointed out, noting that Bresler's retains its original focus on ice cream.

The 60-seat shops generate an all-day average check of about \$6.

Pro*Portion units currently average about \$450,000 each, Rapaport reported. The company expects to increase sales by broadening the concept's appeal to a wider market.

Only one Pro*Portion manager, Maureen Sullivan, territory manager, remains with the company, said Jarrett, who added that Rubin wanted to move on to other career interests.

Bresler's intends to expand all of its concepts through franchising, here and abroad. The company recently signed its first international agreement in Saudi Arabia for Bresler's Ice Cream & Yogurt shops.

Bresler's franchises about 300 ice-cream and yogurt shops in 30 states. It is targeting Cafe Bresler's — a full-meal concept — for future expansion and hopes to have 75 units open in three years.

The company is projecting total annual sales of about \$65 million for this year.

Growth rate of NRN's Top 100 rebounds

(Continued from page 1)
30 percent lower than in metropolitan settings.

Family chains in the Top 100, meanwhile, are boosting their segment's sales total by nearly 9 percent this year by promoting menu diversities and service upgrades — a strategy that is helping the family-restaurant leaders fend off challenges from discounting dinner houses and value-pricing fast feeders.

Aided by everything from delivery agreements with hotel chains to computerized customer dossiers that permit unit-level "micro-marketing," the eight pizza chains in the Top 100 rankings are on track to post a collective 8.5-percent gain in total sales this year.

Among those chains keeping the sandwich segment in the running are the fast-growing Subway and Rally's systems, which are stealing market share from the burger giants and the category's other "value war" victims.

Although PepsiCo Inc.'s chains easily enable the company to retain its No. 1 slot as the industry's largest foodservice company, the Top 100 rankings of corporate growth are topped by the Subway and Rally's

100's growth rate since the end of 1991, foodservice's leading cash cows remain thwarted by consumers' uncertainties amidst high unemployment and declining rates of real disposable income.

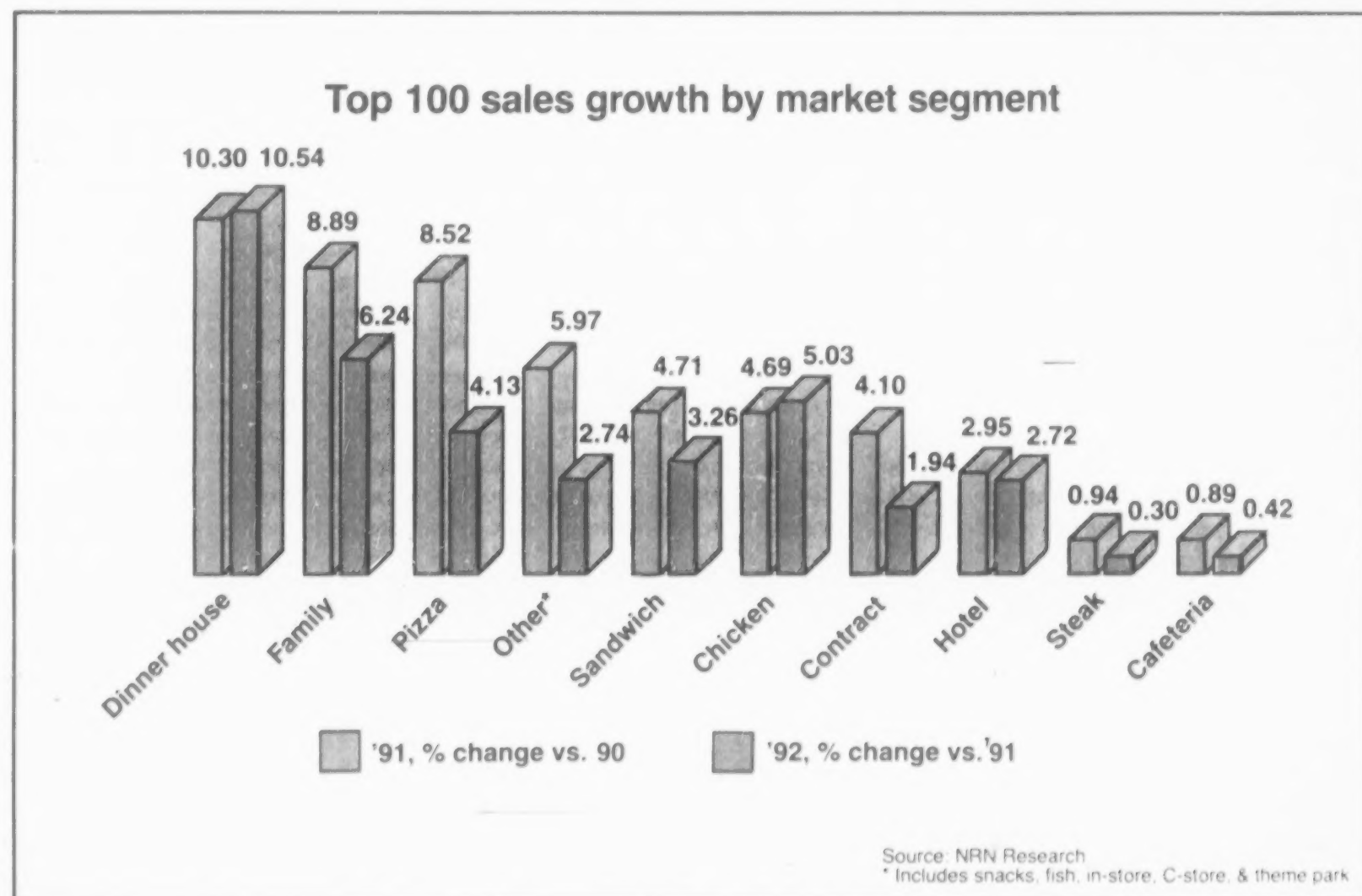
The lackluster economy has even had a direct influence on the marketing themes of chains whose own fortunes are flagging, as in the case of Domino's Pizza and its offer of discounts to customers holding layoff notices and job rejection letters.

Most directly affected by the nation's sluggish economy are outfits in the Top 100's slow-growing contract foodservice segment, which includes several chains that are seeking to boost their number of institutional and recreation accounts to offset falling revenues caused by belt-tightening among business-and-industry clients.

Moreover, the unwieldy debt burdens carried by households and many companies in the Top 100 continue to suppress both dining-out spending and the funding of restaurant upgrades and chain expansion.

Growth up but still lags 1990

Although growing at a



the companies scored a combined 7-percent surge.

While 24 of the Top 100 chains are expected to boost their systemwide sales by more than 10 percent in 1992, only 14 of the 100 chains would post those kinds of growth rates in terms of new-unit development, the report concludes.

On another unfriendly note, the study's projections indicate that more than 60 percent of the chains in the Top 100 this year will fail to attain per-unit sales gains exceeding the prevailing 2.4-percent rate of menu-price inflation — suggesting widespread real-sales declines from last year's levels.

By year end only five foodservice systems in the Top 100 are expected to show double-digit growth in their sales-per-unit average. The fastest-growing of those five happens to be Kmart, whose far-flung licensed Little Caesars outlets are expected to boost average food and beverage sales at the retailer's stores by nearly 30 percent.

Cross-market ventures on rise

The Little Caesars-Kmart venture is but one example of the many cross-market forays and

non-traditional business tactics being undertaken by Top 100 players. Many are scurrying to test new markets, tinker with their menus or implement service upgrades in frenzied efforts to seduce recession-rocked consumers out of their home kitchen and away from competitors.

McDonald's, while suffering from continued erosion in its leading share of the market held by the Top 100's 17 sandwich chains, is experimenting with a range of novelties designed to cement its lofty rank as the industry's top-grossing brand. Among the chain's new test ventures are a self-contained mobile restaurant in a 48-foot-long truck trailer, which has set up shop at a South Carolina beach campground.

The latest dinner entrée tests by McDonald's, in two of the chain's markets in Tennessee and New York, include roasted chicken, spaghetti and meatballs and fettuccine Alfredo.

Pasta is also on the diversification menu of segment leader Pizza Hut, whose new Fastino's drive-through concept seeks to make pasta items and pizza by the slice as much a part of America's fast-food lifestyle as burgers and fries.

Some McDonald's units, meanwhile, have begun selling fried chicken, a product category whose unexpectedly rising popularity of late is giving the four big chicken chains in the Top 100 hope for brighter days.

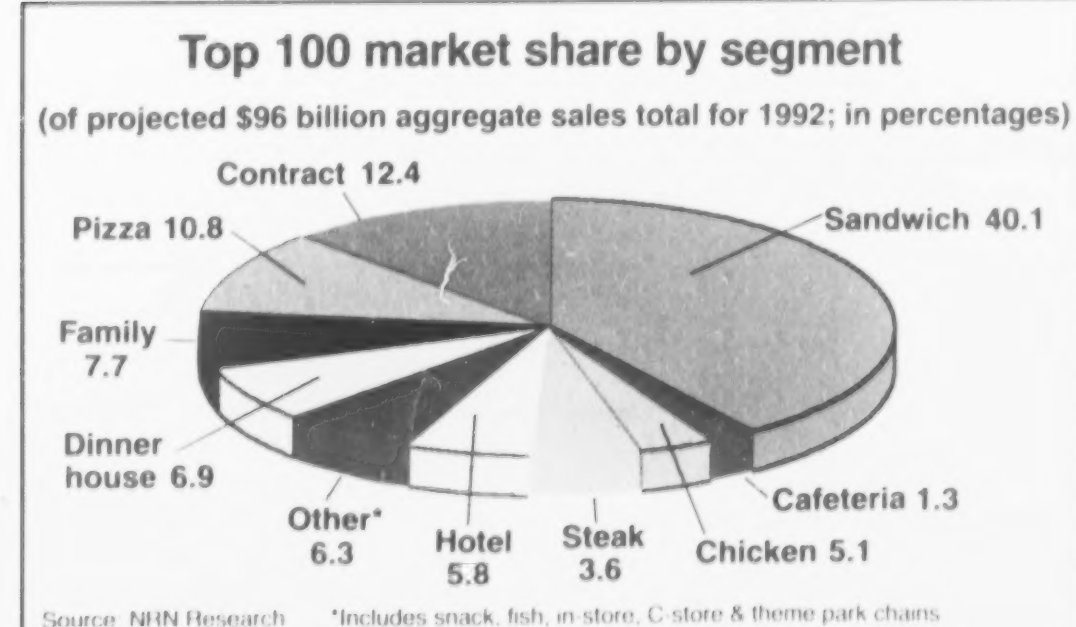
However, outside of the dinner-house segment, whose sales growth rate is running a slight 0.2 percent lower than last year's, the chicken contenders constitute the only Top 100 category projected to see its collective sales advance at a slower pace than in 1991.

Trailing the industry's leading big-bucks players in aggregate sales growth are the hotel foodservice, steak and cafeteria groups, whose chains are obtaining only modest gains.

CORRECTIONS

It is the policy of Nation's Restaurant News to correct errors as promptly and as completely as possible.

Please bring errors to the attention of Rick Van Warner, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022. Phone (212) 756-5200. Fax (212) 756-5125.



chains' parent organizations, each of which is projected to score annual revenue gains exceeding 60 percent.

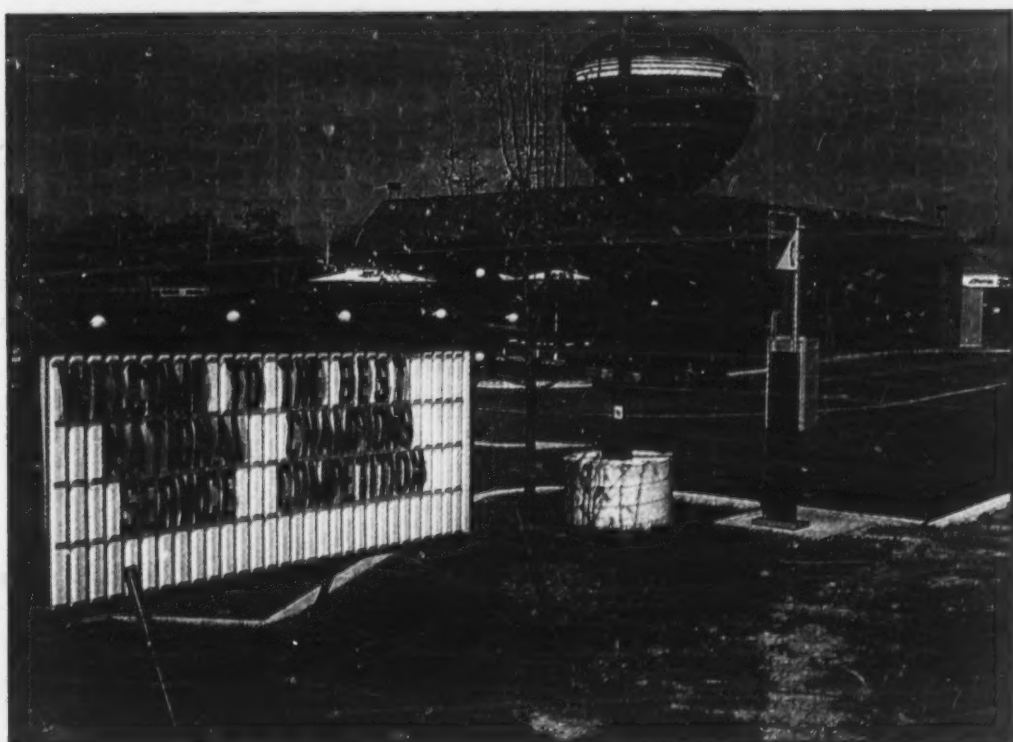
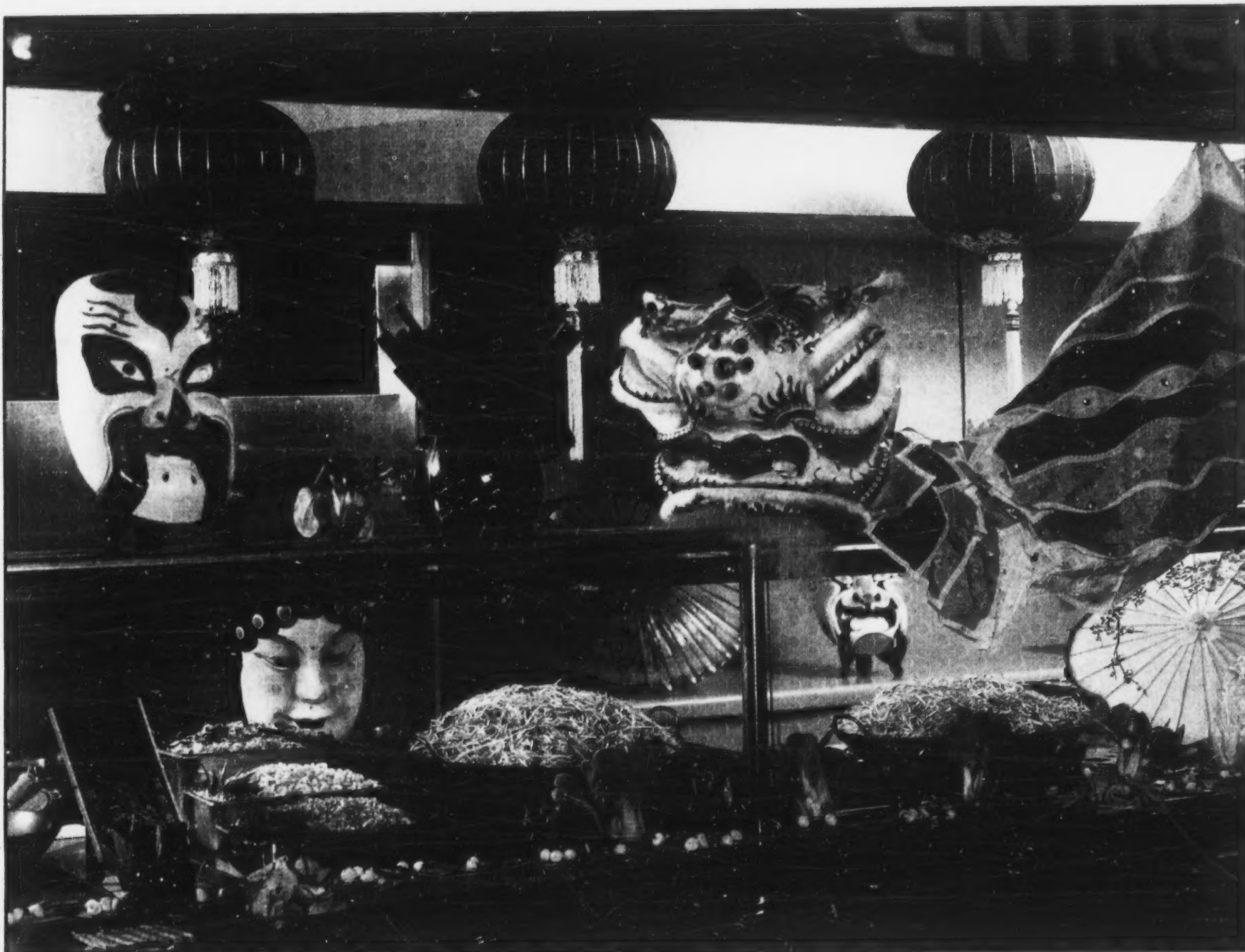
Consumer doubts sting chains

Despite upticks in the Top

faster pace than in 1991, the chains and companies ranked in NRN's Top 100 report are expected to lag far behind their rates of sales and revenue growth of as recently as 1990, when the chains posted an unadjusted 8.5-percent gain and

NRN TOP 100

NRN'S TOP 100



Clockwise, from bottom left: No. 29 Sizzler's salad bar; service-oriented Hardee's, No. 4; themed event catered by No. 8 Marriott Management Services; dinner-house competitor T.G.I. Friday's, No. 41; and No. 3 Pizza Hut's Fastino's concept.



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NRN TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1992 Rank	1991 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, in Millions)		
						Current**	Last Full	Prior
1	1	McDonald's	Sandwich	McDonald's Corp.*	Dec. '92	\$12,703.0	\$12,519.0	\$12,251.0
2	2	Burger King	Sandwich	Grand Metropolitan PLC*	Sept. '92	8,450.0	6,225.0	6,100.0
3	4	Pizza Hut ¹	Pizza	PepsiCo Inc.*	Dec. '92	4,450.0	4,150.0	3,900.0
4	3	Hardee's ²	Sandwich	Imasco Ltd.	Dec. '92	3,800.0	4,200.0	4,101.0
5	5	KFC	Chicken	PepsiCo Inc.*	Dec. '92	3,600.0	3,400.0	3,200.0
6	7	Taco Bell	Sandwich	PepsiCo Inc.*	Dec. '92	3,100.0	2,700.0	2,400.0
7	6	Wendy's	Sandwich	Wendy's International Inc.*	Jan. '93	3,001.0	2,911.0	2,762.0
8	9	Marriott Management Services	Contract	Marriott Corp.*	Dec. '92	2,500.0	2,399.0	2,340.0
9	8	Domino's Pizza	Pizza	Domino's Pizza Inc.	Dec. '92	2,358.0	2,400.0	2,650.0
10	12	Little Caesars Pizza	Pizza	Little Caesar Enterprises Inc.	Dec. '92	2,160.0	1,725.0	1,400.0
11	10	Dairy Queen	Sandwich	International Dairy Queen Inc.*	Nov. '92	2,091.0	2,010.6	1,980.0
12	11	ARA Services/ARASERVE	Contract	ARA Services Inc.	Sept. '92	1,900.0	1,800.0	1,680.8
13	13	Red Lobster	Dinner House	General Mills Inc.*	May '93	1,683.6	1,537.0	1,400.0
14	17	Subway	Sandwich	Doctor's Associates Inc.	Dec. '92	1,650.0	1,300.0	1,050.0
15	14	Denny's	Family	TW Holdings Inc.*	Dec. '92	1,610.0	1,530.0	1,479.0
16	16	Arby's	Sandwich	DWG Corp.	Dec. '92	1,449.0	1,346.0	1,301.0
17	15	Canteen Corp.	Contract	TW Holdings Inc.*	Dec. '92	1,430.0	1,460.0	1,490.0
18	18	7-Eleven	C-store	Southland Corp.	Dec. '92	1,278.4	1,284.0	1,290.9
19	21	Shoney's	Family	Shoney's Inc.*	Oct. '92	1,260.0	1,100.0	991.3
20	19	Marriott Hotels & Resorts	Hotel	Marriott Corp.*	Dec. '92	1,240.0	1,194.0	1,146.0
21	20	Hilton Hotels	Hotel	Hilton Hotels Corp.*	Dec. '92	1,124.0	1,122.0	1,094.0
22	22	Big Boy	Family	Elias Bros. Restaurants Inc.	Dec. '92	1,117.7	1,022.1	1,023.5
23	25	Dunkin' Donuts	Snack	Allied-Lyons PLC	Feb. '93	1,071.1	925.2	912.3
24	23	Sheraton Hotels	Hotel	ITT Corp.*	Dec. '92	1,031.9	1,017.9	1,095.1
25	24	Jack in the Box	Sandwich	Foodmaker Inc.	Sept. '92	996.0	978.0	943.2
26	29	Olive Garden	Dinner House	General Mills Inc.*	May '93	995.1	807.0	613.0
27	26	Service America Corp.	Contract	Servam Inc.	Mar. '93	919.8	892.5	1,000.5
28	28	Long John Silver's	Fish	Long John Silver's Holdings Inc.	July '92	886.0	826.0	773.0
29	27	Sizzler	Steak	Sizzler Restaurants International Inc.*	April '93	860.0	850.0	840.0
30	31	Baskin-Robbins	Snack	Allied-Lyons PLC	Feb. '93	829.7	671.0	604.0
31	32	Host International	Contract	Marriott Corp.*	Dec. '92	770.0	667.0	642.0
32	30	Ponderosa	Steak	Metromedia Steakhouses Inc.	Feb. '93	747.5	767.3	729.7
33	—	Roy Rogers ³	Sandwich	Imasco LTD.	Dec. '92	687.0	186.0	500.0
34	33	Morrison Custom Management ⁴	Contract	Morrison Inc.*	June '93	680.0	618.0	556.0
35	38	Chili's Grill & Bar	Dinner House	Brinker International*	June '93	665.0	574.8	486.3
36	34	Carl's Jr.	Sandwich	Carl Karcher Enterprises Inc.*	Jan. '93	634.4	610.0	574.4
37	37	Holiday Inns	Hotel	Bass PLC	Oct. '92	620.2	579.6	573.9
38	35	Caterair International ⁵	Contract	Caterair International Corp.	Dec. '92	615.0	609.0	641.0
39	36	Disney theme parks and hotels ⁶	Theme park	Walt Disney Co.*	Sept. '92	601.0	603.0	574.9
40	41	Sonic Drive-In	Sandwich	Sonic Corp.	Aug. '92	600.0	519.0	454.5
41	42	T.G.I.Friday's	Dinner House	Carlson Cos.	Dec. '92	558.0	505.1	467.9
42	39	Popeyes Chicken	Chicken	Al Copeland Enterprises Inc.	Dec. '92	540.0	536.0	520.0
43	43	Perkins Restaurants	Family	Tennessee Restaurant Co.	Dec. '92	539.0	505.0	471.0
44	40	Friendly's Restaurants	Family	Tennessee Restaurant Co.	Dec. '92	534.7	529.9	525.8
45	46	Golden Corral	Steak	Investors Management Corp.	Dec. '92	493.0	454.7	438.6
46	54	Cracker Barrel Old Country Store	Family	Cracker Barrel Old Country Store Inc.*	July '93	489.5	398.0	300.2
47	44	Sky Chefs	Contract	Onex Corp.	Dec. '92	481.0	467.0	453.0
48	50	International House of Pancakes	Family	IHOP Corp.*	Dec. '92	473.7	413.6	385.1
49	45	Bennigan's	Dinner House	S&A Restaurant Corp.	June '93	468.4	463.8	459.2
50	48	Chi-Chi's	Dinner House	Foodmaker Inc.*	Sept. '92	434.9	438.7	428.6

*Publicly held company
 **Projected
 Source: NRN Research

EXPLANATION OF COLUMN HEADINGS

1992 Rank: The Top 100 chains are ranked in descending order on the basis of projected systemwide foodservice sales in the U.S. for the chains' respective current fiscal years.

1991 Rank: The same 100 chains are ranked on the basis of systemwide sales in their last full fiscal year, as revised from projections published in the 1991 Top 100 report. Chains not assigned a 1991 ranking did not generate sufficient sales in their last full fiscal year to rank among the Top 100 that year.

Chain: The name of the restaurants, hotels, contract foodservice operations, retail stores or other entities in a chain, as identified by its signs and logotypes.

Concept: The type of restaurant or foodservice operations run by the chain, as defined generically by the type of food served or other retail context.

Parent company: The business entity that owns a chain's trademarks and copyrights, and which ultimately profits from franchising or licensing of its concept. The term is often synonymous with franchisor.

Fiscal year ends: The ending date of the year represented in the "current" year column.

U.S. Systemwide Foodservice Sales: Domestic foodservice sales at all restaurants, hotels, stores, contract locations or other outlets in a chain, including company-owned and franchised units. Manufacturing, distribution, merchandise, room revenues and other nonfood sources of income are excluded.

"Current," "Last Full" and "Prior" figures represent three consecutive years, beginning with the current year that ends on the date indicated in the corresponding "fiscal year ends" column.

NRN TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1992 Rank	1991 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, in Millions)		
						Current**	Last Full	Prior
51	60	Ryan's Family Steak House	Steak	Ryan's Family Steak Houses Inc.*	Dec. '92	431.0	355.0	331.0
52	47	Church's Fried Chicken	Chicken	Al Copeland Enterprises Inc.	Dec. '92	430.0	439.0	461.0
53	49	Captain D's	Seafood	Shoney's Inc.*	Oct. '92	425.0	418.8	413.5
54	53	Radisson Hotels	Hotel	Carlson Cos.	Dec. '92	420.0	400.0	350.0
55	58	Bob Evans Farms	Family	Bob Evans Farms Inc.*	April '93	416.4	361.1	324.9
56	52	Seller Corp.	Contract	Sodexo	Aug. '92	411.6	403.5	390.0
57	51	Hyatt Hotels	Hotel	Hyatt Hotels Corp.	Jan. '93	408.0	407.0	381.9
58	55	ARA Leisure Services	Contract	ARA Services Inc.	Sept. '92	396.8	396.0	380.0
59	57	Ramada Inn	Hotel	Hospitality Franchise System	Dec. '92	392.0	380.0	335.1
60	72	Applebee's Neighborhood Grill & Bar	Dinner House	Applebee's International Inc.*	Dec. '92	374.3	289.6	228.2
61	56	Western Sizzlin'	Steak	Intermark/Triton Group	Dec. '92	356.9	381.9	416.3
62	62	K mart ⁷	In-store	K mart Corp.*	Jan. '93	353.0	326.0	325.0
63	63	Chick-fil-A	Chicken	Chick-fil-A Inc.	Dec. '92	350.0	324.6	293.7
64	66	Dobbs International	Contract	Dial Corp.*	Dec. '92	346.1	317.5	301.0
65	70	Show Biz/Chuck E. Cheese's ⁸	Pizza	ShowBiz Pizza Time Inc.*	Jan. '93	343.5	302.4	281.5
66	61	Luby's Cafeteria	Cafeteria	Luby's Cafeterias Inc.*	Aug. '92	335.0	328.2	311.3
67	68	Westin Hotels	Hotel	Aoki Corp.	Dec. '92	331.0	307.0	288.5
68	65	Whataburger	Sandwich	Whataburger Inc.	Sept. '93	329.5	318.4	309.6
69	67	Round Table Pizza	Pizza	Round Table Franchise Corp.	June '93	315.0	315.0	311.0
70	71	White Castle	Sandwich	White Castle System Inc.	Dec. '92	306.0	300.0	297.0
71	59	Bonanza	Steak	Metromedia Steakhouses Inc.	Feb. '93	302.4	356.3	401.4
72	69	Morrison's	Cafeteria	Morrison Inc.*	June '93	301.0	304.7	311.3
73	76	Sbarro, The Italian Eatery	Pizza	Sbarro Inc.*	Jan. '93	300.6	273.3	249.8
74	73	Ground Round	Dinner House	Ground Round Restaurants Inc.*	Sept. '92	300.0	286.8	283.9
75	74	Quincy's	Steak	TW Holdings Inc.*	Dec. '92	290.0	283.3	281.5
76	64	TCBY	Snack	TCBY Enterprises Inc.*	Nov. '92	286.3	320.9	343.7
77	75	Bakers Square	Family	Vicorp Restaurants Inc.*	Oct. '92	285.0	278.5	249.0
78	78	ServiceMaster Food Management Services	Contract	ServiceMaster L.P.	Dec. '92	277.1	269.0	239.0
79	77	Piccadilly	Cafeteria	Piccadilly Cafeterias Inc.*	June '93	275.0	273.0	273.6
80	89	Rally's	Sandwich	Rally's Inc.*	Dec. '92	256.6	221.1	185.6
81	79	Ogden Allied Entertainment Services	Contract	Ogden Corp.*	Dec. '92	255.0	250.0	244.5
82	88	The Wood Co.	Contract	The Albert Abela Corp.	Dec. '92	251.0	224.0	198.0
83	81	Village Inn	Family	Vicorp Restaurants Inc.*	Oct. '92	249.0	240.9	240.5
84	85	Godfather's Pizza	Pizza	Godfather's Pizza Inc.	May '93	242.0	228.0	226.0
85	97	Ruby Tuesday	Dinner House	Morrison Inc.*	June '92	241.1	201.4	158.4
86	82	Marie Callender's	Family	Wilshire Restaurant Group	Dec. '92	239.0	236.0	246.0
87	86	Del Taco	Sandwich	Del Taco Inc.	Dec. '92	238.0	224.0	205.0
88	80	El Torito	Dinner House	Restaurant Enterprises Group Inc.	Dec. '92	232.7	241.1	258.4
89	87	Furr's Cafeterias	Cafeteria	Furr's/Bishop's Inc.*	Jan. '93	230.0	225.0	230.0
90	94	Restaura Inc.	Contract	Dial Corp.*	Dec. '92	226.0	213.0	230.0
91	93	Waffle House	Family	Waffle House Inc.	June '93	225.7	217.0	195.0
92	90	Stuart Anderson's Black Angus	Dinner House	American Restaurant Group	Dec. '92	223.4	220.6	221.4
93	92	Steak and Ale	Dinner House	S&A Restaurant Corp.	June '93	221.9	219.0	216.8
94	95	Krystal	Sandwich	Krystal Co.*	Dec. '92	220.0	211.0	204.0
95	96	Tony Roma's — A Place for Ribs	Dinner House	Roma Holdings Inc.	Feb. '93	210.5	206.8	198.3
96	91	Six Flags amusement parks	Theme park	Time Warner Inc.*	Dec. '92	210.0	220.0	201.0
97	—	Gardner Merchant Food Services	Contract	Forte PLC	Feb. '93	206.0	182.0	176.0
98	84	Dobbs Houses ⁹	Contract	Dial Corp.*	Dec. '92	200.0	231.0	220.0
99	99	Daka Inc.	Snack	Daka International Inc.	June '93	195.0	195.0	197.0
100	—	Pizza Inn	Pizza	Pizza Inn Inc.	June '93	192.9	155.2	151.5
		TOTAL:				\$96,031.8	\$91,026.7	\$87,760.7

*Publicly held company
 **Projected
 Source: NRN Research

FOOTNOTES

¹ Pizza Hut's projected current-year sales growth — and unit count and growth on separate tables — reflect the franchisor's April acquisition of 221-unit Pizza Management Inc., the Pizza Hut franchisee that ranked as the No. 85 company in last year's Top 100 report.

² Projected current-year decline in Hardee's sales — and in unit count and growth on separate tables — reflect strategic reconversions to its sister brand, Roy Rogers, after that chain's large-scale conversion to Hardee's last year. Pre-existing Hardee's units in the Northeast were also converted to the Roy Rogers brand.

³ Roy Rogers, which did not rank in the Top 100 last year because of the chain's large-scale conversion to its sister Hardee's brand, re-entered the Top 100 statistical universe in 1992 because of the strategic reconversion of those units to their original identity. Pre-existing Hardee's units in the Northeast were also converted to the Roy Rogers brand. Projected current-year sales — and growth rates for sales and units on separate tables — reflect results of those changes.

⁴ Recently renamed Morrison Hospitality Group.

⁵ Formerly called Marriott In-Flite, a name being phased out by Caterair International Corp. under terms of its 1989 acquisition of the former Marriott Corp. division. Caterair's name conversion began in May 1992 and is expected to conclude by December 1993.

⁶ Disney Co. data, including average sales-per-unit figures, reflect results of four theme parks and nine resort hotels, treated as a total of 13 units.

⁷ Projected current-year growth in sales per unit — on separate table — reflects K mart's widespread installations of licensed Little Caesars Pizza counters. Number-of-unit figures, on separate table, indicate number of K marts with foodservice outlets.

⁸ All Top 100 data for this chain are aggregate results of the ShowBiz and Chuck E. Cheese's systems, whose concepts and operating formats are identical.

⁹ The sale of Dobbs Houses to Marriott Corp.'s Host International division was expected to close this summer.

NRN TOP 100

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

1992 Rank	1991 Rank	Company	Chains	Fiscal Year Ends	U.S. Food & Beverage Revenue (By Fiscal Year, In Millions)		
					Current**	Last Full	Prior
1	1	PepsiCo Inc.*	Pizza Hut, Taco Bell, Kentucky Fried Chicken, Hot 'N Now	Dec. '92	\$7,100.0	\$6,258.4	\$5,540.9
2	2	Marriott Corp.*	Marriott Hotels, Marriott Management Services, Host International	Dec. '92	4,510.0	4,561.0	4,762.2
3	3	McDonald's Corp.*	McDonald's	Dec. '92	3,969.0	3,709.0	3,851.2
4	4	TW Holdings Inc.* ¹	Denny's, Canteen Corp., Hardee's, Quincy's, El Pollo Loco	Dec. '92	3,625.0	3,618.0	3,627.0
5	5	General Mills Inc.*	Red Lobster, Olive Garden, China Coast	May '93	2,688.7	2,347.0	2,013.0
6	6	ARA Services Inc.	ARASERVE, ARA Leisure Services	Sept. '92	2,296.8	2,196.0	2,060.8
7	7	Imasco Ltd.	Hardee's, Roy Rogers	Dec. '92	1,366.0	1,830.0	1,846.0
8	8	Foodmaker Inc.*	Jack in the Box, Chi-Chi's	Sept. '92	1,301.0	1,217.0	1,119.0
9	10	Carlson Cos.	T.G.I.Friday's, Dalt's, Radisson Hotels, Country Kitchen	Dec. '92	1,252.1	1,092.7	1,022.6
10	9	Grand Metropolitan PLC*	Burger King	Sept. '92	1,162.0	1,140.0	1,043.0
11	12	Morrison Inc.*	Morrison's Cafeterias, Morrison's Custom Management, Ruby Tuesday	June '93	1,150.0	1,040.0	960.0
12	11	Wendy's International Inc.*	Wendy's Old Fashioned Hamburgers	Jan. '93	1,110.0	1,060.0	1,010.8
13	13	Servam Inc.	Service America Food Service	March '93	919.8	892.5	1,000.5
14	15	Shoney's Inc.*	Shoney's, Lee's Famous Recipe Chicken, Captain D's, Fifth Quarter	Oct. '92	855.9	815.6	775.6
15	14	Restaurant Enterprises Group Inc. ²	El Torito, Coco's, Carrows, Casa Gallardo, Reuben's, Charley Brown's	Dec. '92	831.3	865.9	902.7
16	20	Little Caesars Enterprises Inc.	Little Caesars Pizza	Dec. '92	820.8	655.6	466.9
17	16	Dial Corp.* ³	Dobbs International/Dobbs Houses, Restaura Dining Services	Dec. '92	772.1	808.0	761.0
18	17	Southland Corp.*	7-Eleven	Dec. '92	743.1	761.7	780.9
19	18	Tennessee Restaurant Co.	Perkins Family Restaurants, Friendly Ice Cream	Dec. '92	726.0	710.0	699.0
20	19	S&A Restaurant Corp.	Steak and Ale Restaurants, Bennigan's	June '93	690.3	682.8	676.0
21	26	Brinker International Inc.*	Chili's Grill & Bar, Regas Grill, Romano's Macaroni Grill	June '93	625.0	512.0	427.0
22	23	Long John Silver's Inc.	Long John Silver's	July '93	615.3	583.2	544.3
23	21	Caterair International Corp.	Caterair International, Marriott In-flight	Dec. '92	615.0	609.0	641.0
24	22	Walt Disney Co.*	Disney theme parks, hotels	Sept. '92	600.0	603.0	574.9
25	24	Sodexo Inc.	The Seller Corp., Boatel, Food Dimensions Inc.	Aug. '92	536.5	526.0	511.0
26	27	Onex Corp.	Sky Chefs, Southwest Dining Services, Onex Food Services, Culinary Mgt	Dec. '92	499.0	484.0	471.0
27	36	Cracker Barrel Old Country Store Inc.*	Cracker Barrel Old Country Store	July '93	489.5	398.0	300.2
28	28	Carl Karcher Enterprises Inc.*	Carl's Jr.	Jan. '93	475.0	471.0	474.0
29	25	Domino's Pizza Inc.	Domino's Pizza	Dec. '92	453.2	514.5	538.3
30	35	Kyotaru Co. Ltd. ⁴	Rest. Assoc.(Acapulco, etc.), Love's, Paragon Steakhouses, KFF(Arby's)	Oct. '92	451.2	405.5	156.3
31	29	Investors Management Corp.	Golden Corral, Oh! Brian's, Giluigi's, Rogazzi's, Zia Mia	Dec. '92	450.7	428.9	443.7
32	33	Vicorp Restaurants Inc.*	Bakers Square, Village Inn family restaurants	Oct. '92	430.0	422.6	394.4
33	31	American Restaurant Group Inc.	Stuart Anderson's, Grandy's, Spoons Grill & Bar, Spectrum Foods	Dec. '92	420.5	425.7	432.9
34	32	Al Copeland Enterprises ⁵	Church's Fried Chicken, Popeyes Famous Fried Chicken & Biscuits	Dec. '92	420.0	425.0	485.0
35	30	Metromedia Steakhouses Inc.	Ponderosa Steakhouses, Bonanza Family Restaurants	Feb. '93	408.3	427.0	425.7
36	34	Hyatt Hotels Corp.	Hyatt hotels, resorts	Jan. '93	408.0	407.0	381.9
37	38	Bob Evans Farms Inc.*	Bob Evans Farms Restaurants, Owens Family Restaurants, Cantina del Rio	April '93	399.4	358.3	322.3
38	37	Sizzler International Inc.*	Sizzler Steak Seafood & Salad, Sizzler Buffet Court & Grill	April '93	376.5	371.2	366.0
39	49	Ryan's Family Steak Houses Inc.*	Ryan's Family Steak House	Dec. '92	374.0	299.0	274.0
40	39	Delaware North Cos.	Concession Air, Sportservice	Jan. '93	360.7	350.0	438.7
41	44	Boddie-Noell Enterprises Inc.	Hardee's, Skats	Sept. '92	359.0	320.0	315.0
42	41	Kmart Corp.*	Kmart snack bars and restaurants, Little Caesars	Jan. '93	353.0	326.0	325.0
43	42	Chick-fil-A Inc.	Chick-fil-A	Dec. '92	350.0	324.6	293.7
44	40	Luby's Cafeterias Inc.*	Luby's Cafeterias	Aug. '92	340.0	328.2	311.3
45	45	Aoki Corp.	Westin Hotels	Dec. '92	334.8	310.0	289.4
46	43	Ogden Corp.*	Ogden Allied entertainment, leisure and aviation services	Dec. '92	327.4	321.0	408.0
47	50	National Pizza Co.*	Pizza Hut, Skipper's Seafood	March '93	310.0	298.7	286.1
48	48	White Castle System Inc.	White Castle	Dec. '92	306.0	300.0	297.0
49	46	Piccadilly Cafeterias Inc.*	Piccadilly Cafeterias, Ralph & Kacoo's Seafood Restaurant	June '93	305.0	303.7	302.7
50	51	ITT Corp.*	Sheraton Hotels	Dec. '92	301.7	297.1	276.0

*Publicly held company
 **Projected
 Source: NRN Research

EXPLANATION OF COLUMN HEADINGS

1992 Rank: The Top 100 companies are ranked in descending order on the basis of projected corporate foodservice revenue from U.S. operations in the current fiscal year.

1991 Rank: The same 100 companies are ranked on the basis of U.S. foodservice revenue in their last full fiscal year, as revised from projections published in the 1991 Top 100 report. Companies not assigned a 1991 ranking did not generate sufficient revenue in their last full fiscal year to rank among the Top 100 that year.

Company: The business entity that ultimately owns the specified foodservice revenues; not an owned subsidiary that may function as a parent company.

Chains: The names of the chains or restaurant groups operated or franchised by the company or its operating subsidiary. In some instances the listed chain is a contract foodservice system or hotel or theme-park group.

Fiscal year ends: The ending date of the fiscal year represented in the "current" year column.

U.S. Food & Beverage Revenue: Domestically generated foodservice dollars collected by the company. Included are sales at company-owned operations; food and beverage sales royalties and fees collected from franchisees; and proceeds from routine restaurant-asset sales and divestitures by foodservice divisions. Excluded from revenue figure are sales at franchised restaurants; revenues generated by manufacturing or

wholesaling of food or other products; revenues generated through sales of processed foods to supermarkets; foodservice distribution revenues; other revenues from non-foodservice sales at restaurants; and revenues from operations outside the United States. Amounts for hotels, contractors, in-store feeders and theme parks exclude all non-foodservice retail sales or contract activities, such as income from rooms, souvenirs, building maintenance, ticket sales and general retail.

"Current," "Last Full" and "Prior" figures represent three consecutive years, beginning with the current year that ends on the date indicated in the corresponding "fiscal year ends" column.

NRN TOP 100

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

1992 Rank	1991 Rank	Company	Chains	Fiscal Year Ends	U.S. Food & Beverage Revenue (By Fiscal Year, in Millions)		
					Current**	Last Full	Prior
51	52	International Dairy Queen Inc.*	Dairy Queen, Orange Julius, KarmelKorn Shoppes, Golden Skillet	Nov. '92	\$ 293.7	\$ 288.8	\$ 283.1
52	58	TPI Enterprises Inc.*	Shoney's, Captain D's, Danvers's, Hungry Fisherman	Jan. '93	282.0	261.0	252.7
53	56	Furr's/Bishop's Inc.*	Furr's Cafeterias, Bishop's Cafeterias, Zoo Kinis, El Paso Barbeque	Jan. '93	280.0	268.0	285.0
54	54	Hilton Hotels Corp.*	Hilton hotels, casinos	Dec. '92	279.0	277.2	255.5
55	55	ServiceMaster L.P.*	ServiceMaster Food Management	Dec. '92	277.1	269.0	239.0
56	47	Circle K Corp. ⁶	Circle K convenience stores	April '93	270.0	303.0	305.9
57	53	Gilbert/Robinson Inc.	Houlihan's, Darryl's	Dec. '92	265.1	287.9	300.3
58	57	Rank Organisation	Hard Rock Cafe, Wild Bill's, Caruso's Palace, King Henry's Feast	Dec. '92	265.0	263.0	250.0
59	72	Buffets Inc.*	Old Country Buffet	Dec. '92	258.0	196.2	145.2
60	61	Albert Abela Corp.	The Wood Co. contract food services	Dec. '92	251.0	224.0	198.0
61	59	RTM Inc.	Arby's, Mrs. Winner's Chicken & Biscuits	May '93	245.0	242.0	233.0
62	60	Nestle S.A.	Stouffer Hotels, Top Restaurants, Rusty Scupper	Dec. '92	244.9	241.9	245.9
63	69	Unigate PLC	Black-eyed Pea, Dixie House, Taco Bueno, Casa Bonita, Crystal's Pizza	March '93	242.0	209.0	189.4
64	64	Ground Round Restaurants Inc.*	Ground Round	Sept. '92	229.0	216.2	215.5
65	63	Whataburger Inc.	Whataburger	Sept. '92	226.7	218.4	212.6
66	68	DWG Corp.	Arby's Inc., Daddy-O's	Dec. '92	221.9	209.1	199.6
67	67	Sbarro Inc.*	Sbarro The Italian Eatery	Jan. '93	220.8	209.8	191.2
68	71	Elias Brothers Restaurants Inc.	Big Boy, Top Hat contracting (Pontiac Silverdome, etc.)	Dec. '92	216.0	202.0	189.7
69	65	Harman Management Corp.	Kentucky Fried Chicken	July '93	214.0	212.0	207.0
70	66	Krystal Co.*	Krystal	Dec. '92	213.0	210.0	201.0
71	62	Time Warner Inc.*	Six Flags amusement parks	Dec. '92	210.0	220.0	201.0
72	75	Forte PLC	Gardner Merchant Food Service	Feb. '93	206.0	182.0	176.0
73	70	Riese Organization	Houlihan's, T.G.I.Friday's, KFC, Nathan's Famous	April '93	205.0	205.0	210.0
74	73	Harry M. Stevens Inc.	Harry M. Stevens contract food services	Dec. '92	190.0	190.0	210.0
75	96	Doctor's Associates Inc.	Subway	Dec. '92	189.0	117.0	94.0
76	82	ShowBiz Pizza Time Inc.*	Chuck E. Cheese's, ShowBiz Pizza, Monterey's Tex-Mex Cafe	Jan. '93	186.0	156.4	137.2
77	80	Daka International Inc.*	Daka contract food services, Fuddruckers	June '93	185.9	160.0	157.0
78	77	Woolworth Corp.*	Woolworth in-store, Burger King, Harvest House	Jan. '93	178.8	175.3	172.8
79	74	Wyatt Cafeterias Inc.	Wyatt Cafeterias	Dec. '92	175.0	182.1	187.2
80	76	Specialty Restaurants Corp.	94th Aero Squadron, Baby Doe's Matchless Mine, Crawdaddy's	July '93	173.4	178.7	184.3
81	97	Waffle House Inc.	Waffle House	June '93	173.0	111.5	92.5
82	79	Club Corp. of America Inc.	Private clubs and resorts	Dec. '92	169.5	160.1	149.5
83	78	Chart House Enterprises Inc.*	The Chart House, Paradise Bakery, Cork 'N Cleaver, Mangos, Beaches	Dec. '92	168.0	161.9	154.0
84	81	Allied-Lyons PLC ⁷	Baskin-Robbins, Dunkin' Donuts	Feb. '93	165.0	159.9	150.7
85	—	Rally's Inc.*	Rally's Drive Thru	Dec. '92	158.0	94.1	81.8
86	85	W.H. Braum Inc.	Braum's Ice Cream and Dairy Stores	Dec. '92	156.0	145.0	139.0
87	83	Del Taco Inc.	Del Taco, Naugles	Dec. '92	153.0	148.0	145.0
88	84	Carrols Corp.	Burger King	Dec. '92	150.0	146.2	149.5
89	88	Promus Cos.*	Harrah's Casinos, Embassy Suites	Dec. '92	145.0	135.6	138.4
90	89	Papa Gino's of America Inc. ⁸	Papa Gino's Pizza & More	Feb. '93	142.1	132.5	137.5
91	86	Frisch's Restaurants Inc.*	Big Boy, Hardee's, Quality Hotels	May '93	139.5	136.7	144.5
92	87	Mrs. Fields Inc.	Mrs. Fields Cookies, La Petite Boulangerie	Dec. '92	135.0	136.6	130.1
93	92	Consolidated Products Inc.*	Steak 'n Shake, Jeremiah Sweeney's, Santini's, Border Grill, Mustards	Sept. '92	134.1	126.5	116.2
94	93	Lyon's Restaurants Inc.	Lyon's Restaurants	June '93	129.9	124.3	121.2
95	91	JB's Restaurants Inc.*	JB's Restaurants, Sbarro Italian Eatery, Hometown Buffet	Sept. '92	127.0	127.3	114.9
96	94	Brown Derby Inc.	Brown Derby	May '93	125.2	124.2	123.0
97	90	RPM Pizza Inc.	Domino's Pizza	Dec. '92	125.0	128.0	145.0
98	98	IHOP Corp.*	International House of Pancakes	Dec. '92	120.0	105.3	97.3
99	95	Wilshire Restaurant Group	Marie Callender's Pie Shops	Dec. '92	109.0	117.5	119.4
100	—	Lettuce Entertain You Enterprises Inc.	Ambria, Cafe Ba-Ba-Reeba!, Ed Debevic's, Scoozzi, Tucci Benucch, etc.	Dec. '92	108.1	98.3	90.5
TOTAL:					\$60,810.2	\$57,606.0	\$55,494.9

*Publicly held company
 **Projected
 Source: NRN Research

FOOTNOTES

¹ Ownership control would shift this year to Kohlberg Kravis & Roberts Co. from Constan Partners as part of a \$1 billion recapitalization.

² REGI management said the company intends to restructure financially in 1992 to reduce high-interest debt from its 1986 LBO, and is considering a public stock offering or sale of one of its divisions.

³ Sale of Dobb Houses division to Marriott Corp.'s Host International division was expected to close this summer. Current-year sales projection does not reflect that divestiture.

⁴ Last-full-year revenue growth reflects 1990 acquisitions of Restaurant Associates Industries group (Acapulco Mexican chain, Charlie Brown's dinner houses, Mamma Leone's, Brasserie, etc.); Paragon Steakhouses (Hungry Hunter/Mountain Jack's chains); and Love's Barbecue chain.

⁵ Change in company's name and ownership is expected pending bankruptcy court approval of a reorganization plan.

⁶ Data for Circle K were inadvertently omitted from the Top 100 chains tables. Because all Circle K stores are company-owned, the three-year revenue figures in this table are equivalent to the chain's systemwide sales for the corresponding years. Among the Top 100 chains ranked by systemwide sales, Circle K thus should have held the No. 80 rank for 1992, based on current-year projections; the chain's 1991 rank should be No. 70. Separate tables for units and unit growth should have projected 3,000 stores for current year, down from 3,720 units in the last full year and 4,205 units in the prior year. Separate tables for sales per unit and S.P.U. growth should have projected average-unit foodservice sales of \$90,000 for current year, up from \$81,450 for last full year and \$72,730 for prior year.

⁷ Results exclude income from Mister Donut chain, which company operates only in Canada.

⁸ Ownership control held by private investor group comprising Gordon Miles, Berkshire Partners, McCown DeLeuw.

NRN TOP 100

ALPHABETIC DIRECTORY OF TOP 100 COMPANIES

(Use numeric rankings to locate projected 1992 results in Top 100 Companies tables)

Company	Company Headquarters	1992 RANKINGS	
		Foodservice Revenue	Revenue Growth Rate
Al Copeland Enterprises	Jefferson, La.	34	87
Albert Abela Corp.	London, England	60	18
Allied-Lyons PLC	London, England	84	50
American Restaurant Group Inc.	Newport Beach, Calif.	33	88
Aoki Corp.	Tokyo, Japan	45	25
ARA Services Inc.	Philadelphia, Pa.	6	42
Bob Evans Farms Inc.	Columbus, Ohio	37	19
Boddie-Noell Enterprises Inc.	Rocky Mount, N.C.	41	17
Brinker International Inc.	Dallas, Texas	21	8
Brown Derby Inc.	Cleveland, Ohio	96	75
Buffets Inc.	Eden Prairie, Minn.	59	4
Carl Karcher Enterprises Inc.	Anaheim, Calif.	28	74
Carlson Cos.	Minneapolis, Minn.	9	12
Carrolls Corp.	Syracuse, N.Y.	88	55
Caterair International Corp.	Potomac, Md.	23	72
Chart House Enterprises Inc.	Solana Beach, Calif.	83	47
Chick-fil-A Inc.	Atlanta, Ga.	43	26
Circle K Corp.	Phoenix, Ariz.	56	99
Club Corp. of America Inc.	Dallas, Texas	82	36
Consolidated Products Inc.	Indianapolis, Ind.	93	34
Cracker Barrel Old Country Store Inc.	Lebanon, Tenn.	27	7
Daka International Inc.	Danvers, Mass.	77	10
Del Taco Inc.	Costa Mesa, Calif.	87	49
Delaware North Cos.	Buffalo, N.Y.	40	53
Dial Corp.	Phoenix, Ariz.	17	95
Doctor's Associates Inc.	Milford, Conn.	75	2
Domino's Pizza Inc.	Ann Arbor, Mich.	29	100
DWG Corp.	Miami, Fla.	66	33
Elias Brothers Restaurants Inc.	Warren, Mich.	68	30
Foodmaker Inc.	San Diego, Calif.	8	32
Forte PLC	London, England	72	16
Frisch's Restaurants Inc.	Cincinnati, Ohio	91	57
Furr's/Bishop's Inc.	Lubbock, Texas	53	44
General Mills Inc.	Minneapolis, Minn.	5	13
Gilbert/Robinson Inc.	Kansas City, Mo.	57	98
Grand Metropolitan PLC	London, England	10	63
Ground Round Restaurants Inc.	Braintree, Mass.	64	35
Harman Management Corp.	Los Altos, Calif.	69	73
Harry M. Stevens Inc.	Cranbury, N.J.	74	81
Hilton Hotels Corp.	Beverly Hills, Calif.	54	77
Hyatt Hotels Corp.	Chicago, Ill.	36	79
IHOP Corp.	Glendale, Cal.	98	14
Imasco Ltd.	Montreal, Canada	7	62
International Dairy Queen Inc.	Bloomington, Minn.	51	65
Investors Management Corp.	Raleigh, N.C.	31	39
ITT Corp.	Boston, Mass.	50	66
JB's Restaurants Inc.	Salt Lake City, Utah	95	83
Kmart Corp.	Troy, Mich.	42	23
Krystal Co.	Chattanooga, Tenn.	70	67
Kyotaru Co. Ltd.	Tokyo, Japan	30	20
Lettuce Entertain You Enterprises Inc.	Chicago, Ill.	100	22
Little Caesars Enterprises Inc.	Detroit, Mich.	16	5
Long John Silver's Inc.	Lexington, Ky.	22	37
Luby's Cafeterias Inc.	San Antonio, Texas	44	48
Lyon's Restaurants Inc.	Foster City, Calif.	94	43
Marriott Corp.	Washington, D.C.	2	85
McDonald's Corp.	Oak Brook, Ill.	3	29
Metromedia Steakhouses Inc.	Dayton, Ohio	35	94
Morrison Inc.	Mobile, Ala.	11	21
Mrs. Fields Inc.	Park City, Utah	92	86
National Pizza Co.	Pittsburg, Kan.	47	46
Nestle S.A.	Vevey, Switzerland	62	69
Ogden Corp.	New York, N.Y.	46	61
Onex Corp.	Toronto, Canada	26	51
Papa Gino's of America Inc.	Dedham, Mass.	90	28
PepsiCo Inc.	Purchase, N.Y.	1	15
Piccadilly Cafeterias Inc.	Baton Rouge, La.	49	78
Promus Cos.	Memphis, Tenn.	89	31
Rally's Inc.	Louisville, Ky.	85	1
Rank Organisation	London, England	58	76
Restaurant Enterprises Group Inc.	Irvine, Calif.	15	93
Riese Organization	New York, N.Y.	73	82
RPM Pizza Inc.	Livonia, Mich.	97	89
RTM Inc.	Atlanta, Ga.	61	70
Ryan's Family Steak Houses Inc.	Greer, S.C.	39	6
Sbarro Inc.	Commack, N.Y.	67	38
Servam Inc.	Stamford, Conn.	13	52
ServiceMaster L.P.	Downers Grove, Ill.	55	54
Shoney's Inc.	Nashville, Tenn.	14	40
ShowBiz Pizza Time Inc.	Irving, Texas	76	9
Sizzler International Inc.	Los Angeles, Calif.	38	68
Sodexo Inc.	Bois D'Arcy, France	25	60
Southland Corp.	Dallas, Texas	18	90
Specialty Restaurants Corp.	Anaheim, Calif.	80	91
S&A Restaurant Corp.	Dallas, Texas	20	71
Tennessee Restaurant Co.	Itasca, Ill.	19	56
Time Warner Inc.	New York, N.Y.	71	96
TPI Enterprises Inc.	Memphis, Tenn.	52	24
TW Holdings Inc.	Spartanburg, S.C.	4	80
Unigate PLC	London, England	63	11
Vicorp Restaurants Inc.	Denver, Colo.	32	64
Waffle House Inc.	Norcross, Ga.	81	3
Walt Disney Co.	Burbank, Calif.	24	84
Wendy's International Inc.	Dublin, Ohio	12	41
Whataburger Inc.	Corpus Christi, Texas	65	45
White Castle System Inc.	Columbus, Ohio	48	58
Wilshire Restaurant Group	Orange, Calif.	99	97
Woolworth Corp.	New York, N.Y.	78	59
Wyatt Cafeterias Inc.	Dallas, Texas	79	92
W.H. Braum Inc.	Oklahoma City, Okla.	86	27

Source: NRN Research

WELCOME TO NRN'S TOP 100

by Richard Martin
NRN Top 100 Project Director

In the pages of this special annual section, Nation's Restaurant News presents its exclusive Top 100 report on foodservice's largest and most powerful chains and companies.

Focusing on projected results for the current fiscal years of its subjects, Top 100 provides one of the industry's most graphic and comprehensive assessments of growth and change — and slippage — among the industry's pacesetters and dominant players.

Utilizing a variety of yardsticks to measure and contrast the performances of those front-line combatants, Top 100 offers penetrating insights into the dynamics shaping the U.S. food and beverage marketplace.

On a chain-by-chain and segment-by-segment basis, the study vividly depicts gains and losses in market-share battles fought by chains whose aggregate volumes represent nearly 37 percent of the U.S. foodservice industry's total estimated sales for 1992.

Differing significantly from other industry rankings and reports that quote historical grosses, NRN's Top 100 report excludes foreign operations and various non-foodservice revenue sources in order to project actual away-from-home food and beverage sales in the top ranks of the domestic marketplace.

Hundreds of hours of research and reporting by the editors of Nation's Restaurant News has yielded an analytical tool that reveals which markets, menu categories and chain concepts are capturing the lion's share of America's dining dollars.

Data were gathered by the NRN editorial staff from countless authoritative sources, including chains, parent companies, franchisees, suppliers, corporate reports, government documents and leading industry analysts.

The report ranks the 100 highest-grossing chains on the basis of their projected sales for the current year. Foodservice companies are ranked by their projected revenues.

In addition, outfits in the Top 100 are separately measured over a three-year span in terms of increased sales and revenues, unit and franchise expansion, and sales-per-unit growth.

Systemwide sales and corporate revenue were the sole criteria for inclusion of chains and companies in the Top 100 statistical universe.

The qualifying threshold for Top 100 chains this year was \$195 million in domestic sales; for companies, it was \$108.1 million in U.S. foodservice revenue.

With each annual report, Top 100's methodology allows prior years' figures in the three-year data base to be newly researched, corroborated and, if necessary, restated for those organization that qualify for inclusion. Therefore, estimates and projections about some chains and companies — particularly those that are closely held or diversified — can be improved from report to report as new information sources are tapped and domestic food-away-from-home results are more strictly isolated from other nonfoodservice income sources.

We invite you to refer to the "Top 100 Q & A" on page 66 for answers to commonly asked questions about the report and its methodology.

NRN TOP 100

ALPHABETIC DIRECTORY OF TOP 100 CHAINS

(Use numeric rankings to locate projected 1992 results in key Top 100 tables)

Chain	Chain Headquarters	Parent Company	Concept	System-wide Sales	System Sales Growth	1992 Rankings Sales Per Unit	1992 Rankings Growth, Sales Per Unit	Number of Units	% Growth, # of Units
Applebee's Neighborhood Grill & Bar	Kansas City, Mo.	Applebee's International Inc.	Dinner House	60	2	28	16	69	4
ARA Leisure Services	Philadelphia, Pa.	ARA Services Inc.	Contract	58	82	14	45	84	71
ARA Services/ARASERVE	Philadelphia, Pa.	ARA Services Inc.	Contract	12	42	78	71	14	65
Arby's	Miami, Fla.	DWG Corp.	Sandwich	16	33	72	53	16	33
Bakers Square	Chicago, Ill.	Vicorp Restaurants Inc.	Family	77	61	33	86	77	45
Baskin-Robbins	Glendale, Calif.	Allied-Lyons PLC	Snack	30	6	96	47	15	21
Bennigan's	Dallas, Texas	S&A Restaurant Corp.	Dinner House	49	76	22	59	72	72
Big Boy	Warren, Mich.	Elias Bros. Restaurants Inc.	Family	22	27	44	10	28	60
Bob Evans Farms	Columbus, Ohio	Bob Evans Farms Inc.	Family	55	16	31	6	63	20
Bonanza	Dayton, Ohio	Metromedia Steakhouses Inc.	Steak	71	100	58	57	59	99
Burger King	Miami, Fla.	Grand Metropolitan PLC	Sandwich	2	52	56	46	5	70
Canteen Corp.	Spartanburg, S.C.	TW Holdings Inc.	Contract	17	92	68	40	19	91
Captain D's	Nashville, Tenn.	Shoney's Inc.	Seafood	53	69	74	52	36	58
Carl's Jr.	Anaheim, Calif.	Carl Karcher Enterprises Inc.	Sandwich	36	49	48	89	40	50
Caterair International	Potomac, Md.	Caterair International Corp.	Contract	38	77	4	56	95	73
Chick-fil-A	Atlanta, Ga.	Chick-fil-A Inc.	Chicken	63	31	73	73	46	34
Chili's Grill & Bar	Dallas, Texas	Brinker International	Dinner House	35	13	18	43	60	14
Chi-Chi's	Louisville, Ky.	Foodmaker Inc.	Dinner House	50	88	20	96	71	55
Church's Fried Chicken	Jefferson, La.	AI Copeland Enterprises Inc.	Chicken	52	91	89	20	27	87
Cracker Barrel Old Country Store	Lebanon, Tenn.	Cracker Barrel Old Country Store Inc.	Family	46	8	8	36	83	6
Dairy Queen	Bloomington, Minn.	International Dairy Queen Inc.	Sandwich	11	50	90	55	8	66
Daka Inc.	Danvers, Mass.	Daka International Inc.	Snack	99	84	92	74	47	74
Del Taco	Costa Mesa, Calif.	Del Taco Inc.	Sandwich	87	38	62	66	65	47
Denny's	Spartanburg, S.C.	TW Holdings Inc.	Family	15	43	46	99	23	31
Disney theme parks and hotels	Burbank, Calif.	Walt Disney Co.	Theme park	39	86	1	85	99	75
Dobbs Houses	Memphis, Tenn.	Dial Corp.	Contract	98	99	82	97	98	76
Dobbs International	Memphis, Tenn.	Dial Corp.	Contract	64	28	5	26	94	57
Domino's Pizza	Ann Arbor, Mich.	Domino's Pizza Inc.	Pizza	9	90	91	75	7	85
Dunkin' Donuts	Randolph, Mass.	Allied-Lyons PLC	Snack	23	12	83	61	17	9
El Torito	Irvine, Calif.	Restaurant Enterprises Group Inc.	Dinner House	88	94	23	93	89	88
Friendly's Restaurants	Wilbraham, Mass.	Tennessee Restaurant Co.	Family	44	78	71	23	33	83
Furr's Cafeterias	Lubbock, Texas	Furr's/Bishop's Inc.	Cafeteria	89	62	24	17	88	77
Gardner Merchant Food Services	Trumbull, Conn.	Forte PLC	Contract	97	21	95	24	38	29
Godfather's Pizza	Omaha, Neb.	Godfather's Pizza Inc.	Pizza	84	39	88	15	45	69
Golden Corral	Raleigh, N.C.	Investors Management Corp.	Steak	45	29	43	4	49	78
Ground Round	Braintree, Mass.	Ground Round Restaurants Inc.	Dinner House	74	45	36	54	74	37
Hardee's	Rocky Mount, N.C.	Imasco Ltd.	Sandwich	4	97	47	12	12	98
Hilton Hotels	Beverly Hills, Calif.	Hilton Hotels Corp.	Hotel	21	83	6	30	68	94
Holiday Inns	Atlanta, Geo.	Bass PLC	Hotel	37	36	93	8	18	36
Host International	Washington, D.C.	Marriott Corp.	Contract	31	15	53	70	93	38
Hyatt Hotels	Chicago, Ill.	Hyatt Hotels Corp.	Hotel	57	81	7	28	91	89
International House of Pancakes	Glendale, Calif.	IHOP Corp.	Family	48	19	60	19	44	39
Jack in the Box	San Diego, Calif.	Foodmaker Inc.	Sandwich	25	67	52	44	26	35
K mart	Troy, Mich.	K mart Corp.	In-store	62	30	98	1	21	100
KFC	Louisville, Ky.	PepsiCo Inc.	Chicken	5	41	75	72	6	62
Krystal	Chattanooga, Tenn.	Krystal Co.	Sandwich	94	46	59	51	66	16
Little Caesars Pizza	Detroit, Mich.	Little Caesar Enterprises Inc.	Pizza	10	4	87	83	9	5
Long John Silver's	Lexington, Ky.	Long John Silver's Holdings Inc.	Fish	28	34	80	29	22	44
Luby's Cafeteria	San Antonio, Texas	Luby's Cafeterias Inc.	Cafeteria	66	63	19	92	79	25
Marie Callender's	Orange, Calif.	Wilshire Restaurant Group	Family	86	73	32	76	85	95
Marriott Hotels & Resorts	Washington, D.C.	Marriott Corp.	Hotel	20	51	11	100	51	28
Marriott Management Services	Washington, D.C.	Marriott Corp.	Contract	8	47	50	63	13	3
McDonald's	Oak Brook, Ill.	McDonald's Corp.	Sandwich	1	70	30	68	1	46
Morrison Custom Management	Mobile, Ala.	Morrison Inc.	Contract	34	24	66	9	29	30
Morrison's	Mobile, Ala.	Morrison Inc.	Cafeteria	72	89	25	77	80	86
Ogden Allied Entertainment Services	New York, N.Y.	Ogden Corp.	Contract	81	65	16	41	90	59
Olive Garden	Orlando, Fla.	General Mills Inc.	Dinner House	26	7	13	62	56	8
Perkins Restaurants	Memphis, Tenn.	Tennessee Restaurant Co.	Family	43	37	38	88	52	67
Piccadilly	Baton Rouge, La.	Piccadilly Cafeterias Inc.	Cafeteria	79	80	26	49	86	93
Pizza Hut	Wichita, Kan.	PepsiCo Inc.	Pizza	3	35	77	38	2	43
Pizza Inn	Dallas, Texas	Pizza Inn Inc.	Pizza	100	5	86	3	55	26
Ponderosa	Dayton, Ohio	Metromedia Steakhouses Inc.	Steak	32	93	54	69	34	90
Popeyes Chicken	Jefferson, La.	AI Copeland Enterprises Inc.	Chicken	42	79	70	25	31	56
Quincy's	Spartanburg, S.C.	TW Holdings Inc.	Steak	75	60	40	78	73	53
Radisson Hotels	Minneapolis, Minn.	Carlson Cos.	Hotel	54	44	17	87	78	32
Rally's	Louisville, Ky.	Rally's Inc.	Sandwich	80	11	64	14	50	2
Ramada Inn	Parsippany, N.J.	Hospitality Franchise System	Hotel	59	55	79	95	35	23
Red Lobster	Orlando, Fla.	General Mills Inc.	Dinner House	13	26	12	84	42	17
Restaura Inc.	Phoenix, Ariz.	Dial Corp.	Contract	90	40	76	39	53	61
Round Table Pizza	San Francisco, Calif.	Round Table Franchise Corp.	Pizza	69	85	81	79	43	79
Roy Rogers	Rocky Mount, N.C.	Imasco Ltd.	Sandwich	33	1	49	5	32	1
Ruby Tuesday	Mobile, Ala.	Morrison Inc.	Dinner House	85	10	29	13	82	12
Ryan's Family Steak House	Greer, S.C.	Ryan's Family Steak Houses Inc.	Steak	51	9	21	21	75	13
Sbarro, The Italian Eatery	Commack, N.Y.	Sbarro Inc.	Pizza	73	25	85	80	41	10
Seller Corp.	Waltham, Mass.	Sodexo	Contract	56	64	51	27	54	80
Service America Corp.	Stamford, Conn.	Servam Inc.	Contract	27	57	67	42	25	40
ServiceMaster Food Mgmt. Services	Downers Grove, Ill.	ServiceMaster L.P.	Contract	78	58	55	33	64	49
7-Eleven	Dallas, Texas	Southland Corp.	C-store	18	87	99	34	4	92
Sheraton Hotels	Boston, Mass.	ITT Corp.	Hotel	24	71	10	91	61	41
Shoney's	Nashville, Tenn.	Shoney's Inc.	Family	19	18	34	37	30	18
Show Biz/Chuck E. Cheese's	Irving, Texas	ShowBiz Pizza Time Inc.	Pizza	65	20	39	31	62	15
Six Flags amusement parks	Parsippany, N.J.	Time Warner Inc.	Theme park	96	95	2	94	100	81
Sizzler	Los Angeles, Calif.	Sizzler Restaurants Intl. Inc.	Steak	29	75	35	65	37	63
Sky Chefs	Arlington, Texas	Onex Corp.	Contract	47	59	41	81	96	51
Sonic Drive-in	Oklahoma City, Okla.	Sonic Corp.	Sandwich	40	14	84	7	24	27
Steak and Ale	Dallas, Texas	S&A Restaurant Corp.	Dinner House	93	72	37	60	81	82
Stuart Anderson's Black Angus	Los Altos, Calif.	American Restaurant Group	Dinner House	92	74	15	90	92	54
Subway	Milford, Conn.	Doctor's Associates Inc.	Sandwich	14	3	97	2	3	7
Taco Bell	Irvine, Calif.	PepsiCo Inc.	Sandwich	6	17	61	11	10	24
TCBY	Little Rock, Ark.	TCBY Enterprises Inc.	Snack	76	98	100	98	20	97
The Wood Co.	Allentown, Pa.	The Albert Abela Corp.	Contract	82	22	65	18	58	22
Tony Roma's - A Place for Ribs	Dallas, Texas	Roma Holdings Inc.	Dinner House	95	68	27	82	87	19
T.G.I. Friday's	Dallas, Texas	Carlson Cos.	Dinner House	41	23	9	35	76	11
Village Inn	Denver, Colo.	Vicorp Restaurants Inc.	Family	83	54	45	32	70	84
Waffle House	Norcross, Ga.	Waffle House Inc.	Family	91	48	94	48	39	52
Wendy's	Dublin, Ohio	Wendy's International Inc.	Sandwich	7	56	63	64	11	68
Western Sizzlin'	Dallas, Texas	Intermark/Triton Group	Steak	61	96	57	50	57	96
Westin Hotels	Seattle, Wash.	Aoki Corp.	Hotel	67	32	3	22	97	48
Whataburger	Corpus Christi, Texas	Whataburger Inc.	Sandwich	68	53	69	67	48	64
White Castle	Columbus, Ohio	White Castle System Inc.	Sandwich	70	66	42	58	67	42

Source: NRN Research

NRN TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91* '91 vs. '90	
1	100	Roy Rogers	Dec. '92	269.35	-62.80
2	4	Applebee's Neighborhood Grill & Bar	Dec. '92	29.25	26.91
3	5	Subway	Dec. '92	26.92	23.81
4	6	Little Caesars Pizza	Dec. '92	25.22	23.21
5	60	Pizza Inn	June '93	24.25	2.43
6	19	Baskin-Robbins	Feb. '93	23.65	11.09
7	2	Olive Garden	May '93	23.31	31.65
8	1	Cracker Barrel Old Country Store	July '93	22.99	32.58
9	29	Ryan's Family Steak House	Dec. '92	21.41	7.25
10	3	Ruby Tuesday	June '92	19.71	27.15
11	7	Rally's	Dec. '92	16.06	19.13
12	67	Dunkin' Donuts	Feb. '93	15.77	1.41
13	8	Chili's Grill & Bar	June '93	15.69	18.20
14	10	Sonic Drive-In	Aug. '92	15.61	14.19
15	47	Host International	Dec. '92	15.44	3.89
16	18	Bob Evans Farms	April '93	15.31	11.14
17	14	Taco Bell	Dec. '92	14.81	12.50
18	20	Shoney's	Oct. '92	14.55	10.97
19	28	International House of Pancakes	Dec. '92	14.54	7.39
20	27	Show Biz/Chuck E. Cheese's	Jan. '93	13.59	7.42
21	54	Gardner Merchant Food Services	Feb. '93	13.19	3.41
22	12	The Wood Co.	Dec. '92	12.05	13.13
23	26	T.G.I.Friday's	Dec. '92	10.47	7.96
24	17	Morrison Custom Management	June '93	10.03	11.15
25	24	Sbarro, The Italian Eatery	Jan. '93	9.99	9.41
26	22	Red Lobster	May '93	9.54	9.79
27	81	Big Boy	Dec. '92	9.35	- 0.13
28	38	Dobbs International	Dec. '92	9.01	5.48
29	49	Golden Corral	Dec. '92	8.42	3.67
30	79	K mart	Jan. '93	8.28	0.31
31	21	Chick-fil-A	Dec. '92	7.84	10.50
32	34	Westin Hotels	Dec. '92	7.82	6.41
33	51	Arby's	Dec. '92	7.65	3.46
34	32	Long John Silver's	July '92	7.26	6.86
35	35	Pizza Hut	Dec. '92	7.23	6.41
36	75	Holiday Inns	Oct. '92	7.00	0.99
37	30	Perkins Restaurants	Dec. '92	6.73	7.22
38	25	Del Taco	Dec. '92	6.25	9.27
39	76	Godfather's Pizza	May '93	6.14	0.88
40	95	Restaura Inc.	Dec. '92	6.10	- 7.39
41	36	KFC	Dec. '92	5.88	6.25
42	31	ARA Services/ARASERVE	Sept. '92	5.56	7.09
43	52	Denny's	Dec. '92	5.23	3.45
44	9	Radisson Hotels	Dec. '92	5.00	14.29
45	71	Ground Round	Sept. '92	4.60	1.02
46	53	Krystal	Dec. '92	4.27	3.43
47	59	Marriott Management Services	Dec. '92	4.21	2.52
48	16	Waffle House	June '93	4.01	11.28
49	37	Carl's Jr.	Jan. '93	4.00	6.20
50	66	Dairy Queen	Nov. '92	4.00	1.55
51	46	Marriott Hotels & Resorts	Dec. '92	3.85	4.19
52	65	Burger King	Sept. '92	3.61	2.05
53	57	Whataburger	Sept. '93	3.49	2.84
54	80	Village Inn	Oct. '92	3.35	0.18
55	11	Ramada Inn	Dec. '92	3.16	13.40
56	40	Wendy's	Jan. '93	3.09	5.39
57	98	Service America Corp.	Mar. '93	3.06	- 10.80
58	13	ServiceMaster Food Mgmt. Servs.	Dec. '92	3.01	12.55
59	55	Sky Chefs	Dec. '92	3.00	3.09
60	78	Quincy's	Dec. '92	2.36	0.64
61	15	Bakers Square	Oct. '92	2.32	11.88
62	88	Furr's Cafeterias	Jan. '93	2.22	- 2.17
63	39	Luby's Cafeteria	Aug. '92	2.07	5.43
64	50	Seller Corp.	Aug. '92	2.01	3.46
65	63	Ogden Allied Entertainment Services	Dec. '92	2.00	2.25
66	73	White Castle	Dec. '92	2.00	1.01
67	48	Jack in the Box	Sept. '92	1.84	3.69
68	44	Tony Roma's—A Place for Ribs	Feb. '93	1.79	4.29
69	69	Captain D's	Oct. '92	1.48	1.27
70	64	McDonald's	Dec. '92	1.47	2.19
71	94	Sheraton Hotels	Dec. '92	1.38	- 7.05
72	72	Steak and Ale	June '93	1.32	1.01
73	89	Marie Callender's	Dec. '92	1.27	- 4.07
74	83	Stuart Anderson's Black Angus	Dec. '92	1.27	- 0.36
75	70	Sizzler	April '93	1.18	1.19
76	74	Bennigan's	June '93	0.99	1.00
77	91	Caterair International	Dec. '92	0.99	- 4.99
78	77	Friendly's Restaurants	Dec. '92	0.90	0.80
79	56	Popeyes Chicken	Dec. '92	0.75	3.08
80	82	Piccadilly	June '93	0.73	- 0.22
81	33	Hyatt Hotels	Jan. '93	0.25	6.57
82	45	ARA Leisure Services	Sept. '92	0.20	4.21
83	56	Hilton Hotels	Dec. '92	0.18	2.56
84	85	Daka Inc.	June '93	0.00	- 1.02
85	68	Round Table Pizza	June '93	0.00	1.29
86	43	Disney theme parks and hotels	Sept. '92	- 0.33	4.89
87	84	7-Eleven	Dec. '92	- 0.44	- 0.53
88	62	Chi-Chi's	Sept. '92	- 0.87	2.36
89	87	Morrison's	June '93	- 1.21	- 2.12
90	97	Domino's Pizza	Dec. '92	- 1.75	- 9.43
91	90	Church's Fried Chicken	Dec. '92	- 2.05	- 4.77
92	86	Canteen Corp.	Dec. '92	- 2.05	- 2.01
93	41	Ponderosa	Feb. '93	- 2.58	5.15
94	93	El Torito	Dec. '92	- 3.48	- 6.70
95	23	Six Flags amusement parks	Dec. '92	- 4.55	9.45
96	96	Western Sizzlin'	Dec. '92	- 6.55	- 8.26
97	61	Hardee's	Dec. '92	- 9.52	2.41
98	92	TCBY	Nov. '92	- 10.78	- 6.63
99	42	Dobbs Houses	Dec. '92	- 13.42	5.00
100	99	Bonanza	Feb. '93	- 15.13	- 11.24

*Projected
Source: NRN Research

TOP 100 COMPANIES RANKED BY GROWTH IN U.S. FOODSERVICE REVENUE (Year-to-year percentage change)					
1992 Rank	1991 Rank	Company	Fiscal Year Ends	Percentage Change '92 vs. '91* '91 vs. '90	
1	9	Rally's Inc.	Dec. '92	67.91	15.04
2	5	Doctor's Associates Inc.	Dec. '92	61.54	24.47
3	6	Waffle House Inc.	June '93	55.16	20.54
4	3	Buffets Inc.	Dec. '92	31.50	35.12
5	2	Little Caesars Enterprises Inc.	Dec. '92	25.19	40.43
6	21	Ryan's Family Steak Houses Inc.	Dec. '92	25.08	9.12
7	4	Cracker Barrel Old Country Store Inc.	July '93	22.99	32.58
8	7	Brinker International Inc.	June '93	22.07	19.91
9	10	ShowBiz Pizza Time Inc.	Jan. '93	18.91	14.02
10	60	Daka International Inc.	June '93	16.19	1.91
11	17	Unigate PLC	March '93	15.79	10.35
12	33	Carlson Cos.	Dec. '92	14.59	6.86
13	8	General Mills Inc.	May '93	14.56	16.59
14	27	IHOP Corp.	Dec. '92	13.99	8.19
15	12	PepsiCo Inc.	Dec. '92	13.45	12.95
16	51	Forte PLC	Feb. '93	13.19	3.41
17	61	Boddie-Noell Enterprises Inc.	Sept. '92	12.19	1.59
18	11	Albert Abela Corp.	Dec. '92	12.05	13.13
19	14	Bob Evans Farms Inc.	April '93	11.47	11.17
20	1	Kyotaru Co. Ltd.	Oct. '92	11.27	159.44
21	26	Morrison Inc.	June '93	10.58	8.33
22	24	Lettuce Entertain You Enterprises Inc.	Dec. '92	9.97	8.68
23	70	Kmart Corp.	Jan. '93	8.28	0.31
24	52	TPI Enterprises Inc.	Jan. '93	8.05	3.28
25	31	Aoki Corp.	Dec. '92	8.00	7.12
26	16	Chick-fil-A Inc.	Dec. '92	7.84	10.50
27	49	W.H. Braum Inc.	Dec. '92	7.59	4.32
28	86	Papa Gino's of America Inc.	Feb. '93	7.25	- 3.64
29	87	McDonald's Corp.	Dec. '92	7.01	- 3.69
30	36	Elias Brothers Restaurants Inc.	Dec. '92	6.95	6.47
31	79	Promus Cos.	Dec. '92	6.93	- 2.02
32	23	Foodmaker Inc.	Sept. '92	6.90	8.76
33	46	DWG Corp.	Dec. '92	6.12	4.76
34	22	Consolidated Products Inc.	Sept. '92	6.04	8.83
35	69	Ground Round Restaurants Inc.	Sept. '92	5.92	0.32
36	32	Club Corp. of America Inc.	Dec. '92	5.87	7.09
37	29	Long John Silver's Inc.	July '93	5.50	7.15
38	18	Sbarro Inc.	Jan. '93	5.23	9.73
39	85	Investors Management Corp.	Dec. '92	5.08	- 3.34
40	41	Shoney's Inc.	Oct. '92	4.94	5.16
41	45	Wendy's International Inc.	Jan. '93	4.72	4.87
42	35	ARA Services Inc.	Sept. '92	4.59	6.56
43	56	Lyon's Restaurants Inc.	June '93	4.51	2.52
44	94	Furr's/Bishop's Inc.	Jan. '93	4.48	- 5.96
45	55	Whataburger Inc.	Sept. '92	3.80	2.73
46	48	National Pizza Co.	March '93	3.78	4.42
47	42	Chart House Enterprises Inc.	Dec. '92	3.77	5.12
48	39	Luby's Cafeterias Inc.	Aug. '92	3.60	5.43
49	58	Del Taco Inc.	Dec. '92	3.38	2.07
50	38	Allied-Lyons PLC	Feb. '93	3.19	6.10
51	54	Onex Corp.	Dec. '92	3.10	2.76
52	96	Servam Inc.	March '93	3.06	- 10.80
53	99	Delaware North Cos.	Jan. '93	3.06	- 20.22
54	13	ServiceMaster L.P.	Dec. '92	3.01	12.55
55	80	Carrols Corp.	Dec. '92	2.60	- 2.18
56	62	Tennessee Restaurant Co.	Dec. '92	2.25	1.57
57	93	Frisch's Restaurants Inc.	May '93	2.06	- 5.39
58	65	White Castle System Inc.	Dec. '92	2.00	1.01
59	63	Woolworth Corp.	Jan. '93	2.00	1.45
60	53	Sodexo Inc.	Aug. '92	2.00	2.94
61	100	Ogden Corp.	Dec. '92	1.99	- 21.32
62	74	Imasco Ltd.	Dec. '92	1.97	- 0.87
63	20	Grand Metropolitan PLC	Sept. '92	1.93	9.30
64	30	Vicorp Restaurants Inc.	Oct. '92	1.76	7.14
65	59	International Dairy Queen Inc.	Nov. '92	1.68	2.02
66	28	ITT Corp.	Dec. '92	1.55	7.64
67	47	Krystal Co.	Dec. '92	1.43	4.48
68	64	Sizzler International Inc.	April '93	1.43	1.42
69	77	Nestle S.A.	Dec. '92	1.24	- 1.63
70	50	RTM Inc.	May '93	1.24	3.86
71	66	S&A Restaurant Corp.	June '93	1.10	1.01
72	92	Caterair International Corp.	Dec. '92	0.99	- 4.99
73	57	Harman Management Corp.	July '93	0.94	2.42
74	73	Carl Karcher Enterprises Inc.	Jan. '93	0.85	- 0.63
75	67	Brown Derby Inc.	May '93	0.81	0.98
76	40	Rank Organisation	Dec. '92	0.76	5.20
77	25	Hilton Hotels Corp.	Dec. '92	0.65	8.49
78	68	Piccadilly Cafeterias Inc.	June '93	0.41	0.33
79	34	Hyatt Hotels Corp.	Jan. '93	0.25	6.57
80	72	TW Holdings Inc.	Dec. '92	0.19	- 0.25
81	95	Harry M. Stevens Inc.	Dec. '92	0.00	- 9.52
82	81	Riese Organization	April '93	0.00	- 2.38
83	15	JB's Restaurants Inc.	Sept. '92	- 0.26	10.87
84	44	Walt Disney Co.	Sept. '92	- 0.50	4.89
85	90	Marriott Corp.	Dec. '92	- 1.12	- 4.22
86	43	Mrs. Fields Inc.	Dec. '92	- 1.17	5.00
87	98	Al Copeland Enterprises	Dec. '92	- 1.18	- 12.37
88	78	American Restaurant Group Inc.	Dec. '92	- 1.22	- 1.66
89	97	RPM Pizza Inc.	Dec. '92	- 2.34	- 11.72
90	82	Southland Corp.	Dec. '92	- 2.45	- 2.46
91	84	Specialty Restaurants Corp.	July '93	- 2.97	- 3.04
92	83	Wyatt Cafeterias Inc.	Dec. '92	- 3.90	- 2.72
93	88	Restaurant Enterprises Group Inc.	Dec. '92	- 4.00	- 4.08
94	71	Metromedia Steakhouses Inc.	Feb. '93	- 4.38	0.31
95	37	Dial Corp.	Dec. '92	- 4.44	6.18
96	19	Time Warner Inc.	Dec. '92	- 4.55	9.45
97	76	Wilshire Restaurant Group	Dec. '92	- 7.23	- 1.59
98	89	Gilbert/Robinson Inc.	Dec. '92	- 7.93	- 4.10
99	75	Circle K Corp.	April '93	- 10.89	- 0.95
100	91	Domino's Pizza Inc.	Dec. '92	- 11.91	- 4.42

*Projected
Source: NRN Research

NRN TOP 100

TOP 100 CHAINS RANKED BY SALES PER UNIT
(Comparable-unit averages; may not reflect systemwide totals)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Disney theme parks and hotels	Sept. '92	46,153.0	46,384.0	44,223.0
2	2	Six Flags amusement parks	Dec. '92	30,000.0	31,400.0	28,700.0
3	4	Westin Hotels	Dec. '92	9,457.1	9,029.4	8,742.4
4	3	Caterair International	Dec. '92	9,200.0	9,100.0	8,400.0
5	5	Dobbs International	Dec. '92	6,344.0	6,100.0	5,880.0
6	6	Hilton Hotels	Dec. '92	4,250.0	4,100.0	4,075.0
7	7	Hyatt Hotels	Jan. '93	3,960.0	3,812.0	3,673.0
8	10	Cracker Barrel Old Country Store	July '93	3,519.2	3,420.0	3,115.0
9	11	T.G.I.Friday's	Dec. '92	3,460.0	3,360.0	3,450.0
10	9	Sheraton Hotels	Dec. '92	3,428.2	3,522.1	3,750.3
11	8	Marriott Hotels & Resorts	Dec. '92	3,324.0	3,631.0	3,526.0
12	12	Red Lobster	May '93	2,900.0	2,910.0	3,000.0
13	13	Olive Garden	May '93	2,822.0	2,800.0	2,772.0
14	14	ARA Leisure Services	Sept. '92	2,650.0	2,600.0	2,500.0
15	15	Stuart Anderson's Black Angus	Dec. '92	2,556.5	2,595.5	2,635.0
16	19	Ogden Allied Entertainment Services	Dec. '92	2,346.0	2,300.0	2,400.0
17	16	Radisson Hotels	Dec. '92	2,333.0	2,350.0	2,270.0
18	20	Chili's Grill & Bar	June '93	2,310.0	2,265.0	2,218.0
19	18	Luby's Cafeteria	Aug. '92	2,220.0	2,300.0	2,400.0
20	17	Chi-Chi's	Sept. '92	2,200.0	2,310.0	2,440.0
21	21	Ryan's Family Steak House	Dec. '92	2,200.0	2,100.0	2,300.0
22	23	Bennigan's	June '93	2,100.7	2,079.8	2,059.3
23	22	El Torito	Dec. '92	2,022.2	2,095.5	2,246.0
24	26	Furr's Cafeterias	Jan. '93	1,900.0	1,800.0	1,900.0
25	24	Morrison's	June '93	1,900.0	1,900.0	1,800.0
26	25	Piccadilly	June '93	1,900.0	1,874.0	1,903.0
27	27	Tony Roma's—A Place for Ribs	Feb. '93	1,800.0	1,800.0	1,800.0
28	28	Applebee's Neighborhood Grill & Bar	Dec. '92	1,795.7	1,697.1	1,700.0
29	32	Ruby Tuesday	June '92	1,700.0	1,600.0	1,700.0
30	29	McDonald's	Dec. '92	1,665.0	1,658.0	1,649.0
31	35	Bob Evans Farms	April '93	1,650.0	1,525.0	1,400.0
32	30	Marie Callender's	Dec. '92	1,650.0	1,650.0	1,650.0
33	31	Bakers Square	Oct. '92	1,620.0	1,631.0	1,555.0
34	33	Shoney's	Oct. '92	1,600.0	1,559.0	1,538.0
35	34	Sizzler	April '93	1,550.0	1,540.0	1,600.0
36	36	Ground Round	Sept. '92	1,465.0	1,448.0	1,427.0
37	37	Steak and Ale	June '93	1,404.1	1,390.2	1,376.4
38	38	Perkins Restaurants	Dec. '92	1,341.0	1,352.0	1,340.0
39	41	Show Biz/Chuck E. Cheese's	Jan. '93	1,340.0	1,297.0	1,269.0
40	39	Quincy's	Dec. '92	1,300.0	1,300.0	1,300.0
41	40	Sky Chefs	Dec. '92	1,300.0	1,300.0	1,300.0
42	42	White Castle	Dec. '92	1,296.0	1,283.0	1,166.0
43	47	Golden Corral	Dec. '92	1,200.0	1,052.0	947.0
44	45	Big Boy	Dec. '92	1,189.0	1,105.0	1,081.0
45	44	Village Inn	Oct. '92	1,180.0	1,144.0	1,093.0
46	43	Denny's	Dec. '92	1,160.0	1,230.0	1,190.0
47	49	Hardee's	Dec. '92	1,100.0	1,032.0	1,000.0
48	46	Carl's Jr.	Jan. '93	1,090.0	1,103.8	1,114.2
49	54	Roy Rogers	Dec. '92	1,080.0	975.0	1,060.0
50	48	Marriott Management Services	Dec. '92	1,054.0	1,046.0	1,063.0
51	51	Seller Corp.	Aug. '92	1,050.0	1,010.0	975.0
52	50	Jack in the Box	Sept. '92	1,040.0	1,020.0	1,020.0
53	52	Host International	Dec. '92	1,000.0	997.0	992.0
54	53	Ponderosa	Feb. '93	994.0	990.0	986.1
55	56	ServiceMaster Food Mgmt. Servs.	Dec. '92	993.2	964.3	902.0
56	55	Burger King	Sept. '92	988.0	971.0	983.0
57	58	Western Sizzlin'	Dec. '92	962.0	950.0	942.0
58	57	Bonanza	Feb. '93	960.0	950.0	940.0
59	59	Krystal	Dec. '92	898.0	887.0	837.0
60	62	International House of Pancakes	Dec. '92	887.0	845.0	801.0
61	63	Taco Bell	Dec. '92	873.0	814.0	771.0
62	60	Del Taco	Dec. '92	865.0	860.0	840.0
63	61	Wendy's	Jan. '93	858.0	852.0	811.0
64	64	Rally's	Dec. '92	850.0	801.0	852.0
65	65	The Wood Co.	Dec. '92	790.0	752.4	684.5
66	68	Morrison Custom Management	June '93	763.0	707.0	699.0
67	66	Service America Corp.	Mar. '93	747.7	733.0	632.0
68	67	Canteen Corp.	Dec. '92	744.6	730.0	835.0
69	69	Whataburger	Sept. '93	701.5	698.3	700.2
70	72	Popeyes Chicken	Dec. '92	700.0	673.0	720.0
71	75	Friendly's Restaurants	Dec. '92	690.0	659.0	640.0
72	71	Arby's	Dec. '92	688.0	680.0	675.0
73	70	Chick-fil-A	Dec. '92	688.0	687.0	681.0
74	74	Captain D's	Oct. '92	675.0	667.0	667.0
75	73	KFC	Dec. '92	671.0	669.0	649.0
76	76	Restaura Inc.	Dec. '92	664.5	650.0	628.3
77	77	Pizza Hut	Dec. '92	653.0	637.0	631.0
78	78	ARA Services/ARASERVE	Sept. '92	650.9	649.0	646.5
79	79	Ramada Inn	Dec. '92	604.0	633.0	659.0
80	81	Long John Silver's	July '92	596.0	574.0	535.0
81	82	Round Table Pizza	June '93	554.0	554.0	547.0
82	80	Dobbs Houses	Dec. '92	548.6	577.5	579.0
83	83	Dunkin' Donuts	Feb. '93	545.7	540.3	596.7
84	85	Sonic Drive-In	Aug. '92	520.0	481.0	446.0
85	84	Sbarro, The Italian Eatery	Jan. '93	515.0	515.0	546.0
86	90	Pizza Inn	June '93	490.7	425.3	404.1
87	86	Little Caesars Pizza	Dec. '92	472.1	472.6	441.2
88	87	Godfather's Pizza	May '93	472.0	446.0	449.0
89	91	Church's Fried Chicken	Dec. '92	445.6	425.0	420.0
90	88	Dairy Queen	Nov. '92	440.0	435.0	430.0
91	89	Domino's Pizza	Dec. '92	431.6	431.6	439.4
92	92	Daka Inc.	June '93	406.0	406.0	414.0
93	93	Holiday Inns	Oct. '92	396.7	367.3	363.7
94	94	Waffle House	June '93	365.0	360.0	355.0
95	95	Gardner Merchant Food Services	Feb. '93	322.9	309.3	306.1
96	96	Baskin-Robbins	Feb. '93	295.0	290.0	285.0
97	97	Subway	Dec. '92	260.0	225.0	217.0
98	100	K mart	Jan. '93	235.3	181.5	181.7
99	98	7-Eleven	Dec. '92	220.8	214.4	208.4
100	99	TCBY	Nov. '92	187.7	199.0	323.0

*Projected
Source: NRN ResearchTOP 100 CHAINS
RANKED BY GROWTH IN SALES PER UNIT
(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	70	K mart	Jan. '93	29.65	- 0.08
2	25	Subway	Dec. '92	15.56	3.69
3	17	Pizza Inn	June '93	15.39	5.24
4	2	Golden Corral	Dec. '92	14.07	11.09
5	96	Roy Rogers	Dec. '92	10.77	- 8.02
6	7	Bob Evans Farms	April '93	8.20	8.93
7	9	Sonic Drive-In	Aug. '92	8.11	7.85
8	52	Holiday Inns	Oct. '92	8.00	1.00
9	47	Morrison Custom Management	June '93	7.92	1.14
10	37	Big Boy	Dec. '92	7.60	2.22
11	14	Taco Bell	Dec. '92	7.25	5.58
12	31	Hardee's	Dec. '92	6.59	3.20
13	91	Ruby Tuesday	June '92	6.25	- 5.88
14	92	Rally's	Dec. '92	6.12	- 5.99
15	74	Godfather's Pizza	May '93	5.83	- 0.67
16	71	Applebee's Neighborhood Grill & Bar	Dec. '92	5.81	- 0.17
17	88	Furr's Cafeterias	Jan. '93	5.56	- 5.26
18	4	The Wood Co.	Dec. '92	5.00	9.92
19	16	International House of Pancakes	Dec. '92	4.97	5.49
20	45	Church's Fried Chicken	Dec. '92	4.86	1.19
21	97	Ryan's Family Steak House	Dec. '92	4.76	- 8.70
22	30	Westin Hotels	Dec. '92	4.74	3.28
23	34	Friendly's Restaurants	Dec. '92	4.70	2.97
24	48	Gardner Merchant Food Services	Feb. '93	4.38	1.07
25	94	Popeyes Chicken	Dec. '92	4.01	- 6.53
26	24	Dobbs International	Dec. '92	4.00	3.74
27	26	Seiler Corp.	Aug. '92	3.96	3.59
28	23	Hyatt Hotels	Jan. '93	3.88	3.78
29	10	Long John Silver's	July '92	3.83	7.29
30	59	Hilton Hotels	Dec. '92	3.66	0.61
31	38	Show Biz/Chuck E. Cheese's	Jan. '93	3.32	2.21
32	21	Village Inn	Oct. '92	3.15	4.67
33	12	ServiceMaster Food Mgmt. Servs.	Dec. '92	3.00	6.91
34	35	7-Eleven	Dec. '92	3.00	2.86
35	82	T.G.I.Friday's	Dec. '92	2.98	- 2.61
36	5	Cracker Barrel Old Country Store	July '93	2.90	9.79
37	43	Shoney's	Oct. '92	2.63	1.37
38	54	Pizza Hut	Dec. '92	2.51	0.95
39	28	Restaura Inc.	Dec. '92	2.23	3.45
40	99	Canteen Corp.	Dec. '92	2.00	- 12.57
41	87	Ogden Allied Entertainment Services	Dec. '92	2.00	- 4.17
42	1	Service America Corp.	Mar. '93	2.00	15.98
43	39	Chili's Grill & Bar	June '93	1.99	2.12
44	65	Jack in the Box	Sept. '92	1.96	0.00
45	22	ARA Leisure Services	Sept. '92	1.92	4.00
46	76	Burger King	Sept. '92	1.75	- 1.22
47	40	Baskin-Robbins	Feb. '93	1.72	1.75
48	42	Waffle House	June '93	1.39	1.41
49	78	Piccadilly	June '93	1.39	- 1.52
50	57	Western Sizzlin'	Dec. '92	1.26	0.85
51	13	Krystal	Dec. '92	1.24	5.97
52	64	Captain D's	Oct. '92	1.20	0.00
53	58	Arby's	Dec. '92	1.18	0.74
54	41	Ground Round	Sept. '92	1.17	1.47
55	46	Dairy Queen	Nov. '92	1.15	1.16
56	8	Caterair International	Dec. '92	1.10	8.33
57	49	Bonanza	Feb. '93	1.05	1.06
58	3	White Castle	Dec. '92	1.01	10.03
59	53	Bennigan's	June '93	1.00	1.00
60	51	Steak and Ale	June '93	1.00	1.00
61	98	Dunkin' Donuts	Feb. '93	1.00	- 9.45
62	50	Olive Garden	May '93	0.79	1.01
63	79	Marriott Management Services	Dec. '92	0.76	- 1.60
64	18	Wendy's	Jan. '93	0.70	5.06
65	84	Sizzler	April '93	0.65	- 3.75
66	36	Del Taco	Dec. '92	0.58	2.38
67	73	Whataburger	Sept. '93	0.46	- 0.27
68	60	McDonald's	Dec. '92	0.42	0.55
69	62	Ponderosa	Feb. '93	0.40	0.40
70	61	Host International	Dec. '92	0.30	0.50
71	63	ARA Services/ARASERVE	Sept. '92	0.30	0.39
72	32	KFC	Dec. '92	0.30	3.08
73	56	Chick-fil-A	Dec. '92	0.15	0.88
74	81	Daka Inc.	June '93	0.00	- 1.93
75	80	Domino's Pizza	Dec. '92	0.00	- 1.78
76	66	Marie Callender's	Dec. '92	0.00	0.00
77	15	Morrison's	June '93	0.00	5.56
78	67	Quincy's	Dec. '92	0.00	0.00
79	44	Round Table Pizza	June '93	0.00	1.28
80	90	Sbarro, The Italian Eatery	Jan. '93	0.00	- 5.68
81	68	Sky Chefs	Dec. '92	0.00	0.00
82	69	Tony Roma's—A Place for Ribs	Feb. '93	0.00	0.00
83	11	Little Caesars Pizza	Dec. '92	- 0.11	7.12
84	83	Red Lobster	May '93	- 0.34	- 3.00
85	20	Disney theme parks and hotels	Sept. '92	- 0.50	4.89
86	19	Bakers Square	Oct. '92	- 0.67	4.89
87	27	Radisson Hotels	Dec. '92	- 0.72	3.52
88	55	Perkins Restaurants	Dec. '92	- 0.81	0.90
89	75	Carl's Jr.	Jan. '93	- 1.25	- 0.93
90	77	Stuart Anderson's Black Angus	Dec. '92	- 1.50	- 1.50
91	93	Sheraton Hotels	Dec. '92	- 2.67	- 6.08
92	86	Luby's Cafeteria	Aug. '92	- 3.48	- 4.17
93	95	El Torito	Dec. '92	- 3.50	- 6.70
94	6	Six Flags amusement parks	Dec. '92	- 4.46	9.41
95	85	Ramada Inn	Dec. '92	- 4.58	- 3.95
96	89	Chi-Chi's	Sept. '92	- 4.76	- 5.33
97	72	Dobbs Houses	Dec. '92	- 5.00	- 0.26
98	100	TCBY	Nov. '92	- 5.68	- 38.39
99	29	Denny's	Dec. '92	- 5.69	3.36
100	33	Marriott Hotels & Resorts	Dec. '92	- 8.45	2.98

NRN TOP 100

TOP 100 CHAINS RANKED BY CURRENT-YEAR TOTAL NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Current (Year-end Projection) Total (Company - Franchise)			Last Full Year Total (Company - Franchise)			Prior Year Total (Company - Franchise)		
1	1	McDonald's	Dec. '92	9,051	1,495	7,556	8,764	1,446	7,318	8,472	1,632	6,796
2	2	Pizza Hut	Dec. '92	7,280	4,230	3,050	7,010	4,012	2,998	6,681	3,658	3,023
3	4	Subway	Dec. '92	7,000	0	7,000	5,853	0	5,853	4,870	0	4,870
4	3	7-Eleven	Dec. '92	5,789	2,759	3,030	5,989	2,944	3,045	6,193	3,135	3,058
5	5	Burger King	Sept. '92	5,675	850	4,825	5,655	926	4,729	5,427	875	4,552
6	6	KFC	Dec. '92	5,116	1,900	3,216	5,056	1,870	3,186	5,006	1,389	3,617
7	7	Domino's Pizza	Dec. '92	4,860	1,050	3,220	4,947	1,192	3,266	5,004	1,225	3,779
8	8	Dairy Queen	Nov. '92	4,665	5	4,660	4,630	5	4,625	4,620	3	4,617
9	11	Little Caesars Pizza	Dec. '92	4,575	1,525	3,050	3,650	1,217	2,433	3,173	1,058	2,115
10	12	Taco Bell	Dec. '92	3,908	2,338	1,570	3,616	2,118	1,498	3,227	1,851	1,376
11	10	Wendy's	Jan. '93	3,832	1,166	2,666	3,804	1,162	2,642	3,727	1,070	2,657
12	9	Hardee's	Dec. '92	3,750	900	2,850	4,240	1,205	3,035	4,022	1,105	2,917
13	16	Marriott Management Services	Dec. '92	3,014	3,014	0	2,303	2,303	0	2,200	2,200	0
14	13	ARA Services/ARASERVE	Sept. '92	2,726	2,726	0	2,700	2,700	0	2,600	2,600	0
15	14	Baskin-Robbins	Feb. '93	2,588	28	2,560	2,390	28	2,362	2,287	56	2,231
16	15	Arby's	Dec. '92	2,513	275	2,238	2,382	262	2,120	2,301	249	2,052
17	17	Dunkin' Donuts	Feb. '93	2,368	2	2,366	2,009	2	2,007	1,729	2	1,727
18	21	Holiday Inns	Oct. '92	1,658	205	1,453	1,578	177	1,401	1,578	177	1,401
19	20	Canteen Corp.	Dec. '92	1,649	1,649	0	1,700	1,700	0	1,750	1,750	0
20	19	TCBY	Nov. '92	1,520	1,386	136	1,710	1,574	136	2,017	1,847	170
21	18	K mart	Jan. '93	1,500	1,500	0	1,796	1,796	0	1,787	1,787	0
22	22	Long John Silver's	July '92	1,487	1,009	478	1,437	989	448	1,439	998	441
23	23	Denny's	Dec. '92	1,402	1,026	376	1,322	996	326	1,294	992	302
24	24	Sonic Drive-In	Aug. '92	1,196	91	1,105	1,112	80	1,034	1,043	69	972
25	25	Service America Corp.	Mar. '93	1,150	1,150	0	1,100	1,100	0	1,200	1,200	0
26	26	Jack in the Box	Sept. '92	1,145	725	420	1,089	684	405	1,035	650	385
27	27	Church's Fried Chicken	Dec. '92	1,021	671	359	1,042	684	358	1,059	694	365
28	28	Big Boy	Dec. '92	940	144	796	925	140	781	946	140	806
29	29	Morrison Custom Management	June '93	891	891	0	836	836	0	745	745	0
30	33	Shoney's	Oct. '92	845	327	518	775	313	462	720	293	427
31	30	Popeyes Chicken	Dec. '92	825	135	690	808	130	678	778	129	649
32	71	Roy Rogers	Dec. '92	784	410	374	219	100	119	648	363	285
33	31	Friendly's Restaurants	Dec. '92	775	775	0	780	780	0	795	795	0
34	32	Ponderosa	Feb. '93	752	382	370	775	400	375	740	400	340
35	38	Ramada Inn	Dec. '92	649	0	649	600	0	600	508	0	508
36	35	Captain D's	Oct. '92	648	358	290	636	358	278	628	357	271
37	34	Sizzler	April '93	645	250	395	638	245	390	628	209	419
38	39	Gardner Merchant Food Services	Feb. '93	638	638	0	598	598	0	575	575	0
39	36	Waffle House	June '93	635	285	350	620	270	350	600	250	350
40	37	Carl's Jr.	Jan. '93	627	384	243	610	414	196	573	424	149
41	42	Sbarro, The Italian Eatery	Jan. '93	621	480	141	530	412	118	457	348	109
42	41	Red Lobster	May '93	600	600	0	550	550	0	510	510	0
43	40	Round Table Pizza	June '93	568	1	567	568	1	567	566	0	566
44	44	International House of Pancakes	Dec. '92	523	46	477	499	55	444	490	61	429
45	43	Godfather's Pizza	May '93	515	156	359	512	163	349	506	165	341
46	47	Chick-fil-A	Dec. '92	485	485	0	460	460	0	441	441	0
47	45	Daka Inc.	June '93	480	480	0	480	480	0	475	475	0
48	46	Whataburger	Sept. '93	480	301	179	475	296	179	475	296	179
49	48	Golden Corral	Dec. '92	450	360	90	450	385	65	445	397	48
50	56	Rally's	Dec. '92	450	175	275	332	116	216	257	93	164
51	50	Marriott Hotels & Resorts	Dec. '92	433	373	60	404	349	55	380	325	55
52	49	Perkins Restaurants	Dec. '92	410	118	292	407	117	290	399	113	286
53	52	Restaura Inc.	Dec. '92	405	405	0	400	400	0	382	382	0
54	53	Seller Corp.	Aug. '92	400	400	0	400	400	0	400	400	0
55	55	Pizza Inn	June '93	393	7	386	365	17	348	375	26	349
56	57	Olive Garden	May '93	380	380	0	320	320	0	253	253	0
57	51	Western Sizzlin'	Dec. '92	371	5	366	402	5	397	442	5	437
58	58	The Wood Co.	Dec. '92	330	330	0	305	305	0	290	290	0
59	54	Bonanza	Feb. '93	315	2	313	375	2	373	427	2	425
60	62	Chili's Grill & Bar	June '93	314	241	73	275	217	58	244	194	50
61	59	Sheraton Hotels	Dec. '92	301	51	250	289	50	239	292	50	242
62	64	Show Biz/Chuck E. Cheese's	Jan. '93	298	184	114	272	159	113	267	144	123
63	63	Bob Evans Farms	April '93	297	297	0	273	273	0	255	255	0
64	60	ServiceMaster Food Management Services	Dec. '92	288	288	0	280	280	0	265	265	0
65	61	Del Taco	Dec. '92	286	206	80	277	203	74	274	200	74
66	67	Krystal	Dec. '92	270	231	39	247	231	16	235	232	3
67	66	White Castle	Dec. '92	267	267	0	257	257	0	249	249	0
68	65	Hilton Hotels	Dec. '92	247	49	198	257	49	208	262	46	216
69	74	Applebee's Neighborhood Grill & Bar	Dec. '92	245	33	212	191	25	166	160	27	133
70	68	Village Inn	Oct. '92	226	120	106	228	122	106	228	124	104
71	70	Chi-Chi's	Sept. '92	225	185	40	220	177	43	208	164	44
72	69	Bennigan's	June '93	223	223	0	223	223	0	223	223	0
73	72	Quincy's	Dec. '92	221	221	0	216	216	0	212	212	0
74	73	Ground Round	Sept. '92	208	159	49	198	154	44	199	154	45
75	76	Ryan's Family Steak House	Dec. '92	203	165	38	177	142	35	159	126	33
76	78	T.G.I.Friday's	Dec. '92	195	130	65	168	120	48	151	119	32
77	75	Bakers Square	Oct. '92	185	185	0	179	179	0	167	167	0
78	77	Radisson Hotels	Dec. '92	180	143	37	170	140	35	154	126	33
79	83	Luby's Cafeteria	Aug. '92	162	162	0	150	150	0	137	137	0
80	79	Morrison's	June '93	160	160	0	163	163	0	171	171	0
81	80	Steak and Ale	June '93	157	157	0	158	158	0	158	158	0
82	85	Ruby Tuesday	June '92	154	154	0	133	133	0	110	110	0
83	86	Cracker Barrel Old Country Store	July '93	152	152	0	127	127	0	106	106	0
84	82	ARA Leisure Services	Sept. '92	150	150	0	150	150	0	145	145	0
85	81	Marie Callender's	Dec. '92	149	60	89	157	63	94	161	61	100
86	84	Piccadilly	June '93	137	137	0	142	142	0	143	143	0
87	88	Tony Roma's - A Place for Ribs	Feb. '93	133	17	116	122	17	105	116	16	100
88	87	Furr's Cafeterias	Jan. '93	125	125	0	125	125	0	125	125	0
89	89	El Torito	Dec. '92	110	102	8	113	105	8	117	111	6
90	90	Ogden Allied Entertainment Services	Dec. '92	110	110	0	108	108	0	102	102	0
91	91	Hyatt Hotels	Jan. '93	103	103	0	106	106	0	106	106	0
92	92	Stuart Anderson's Black Angus	Dec. '92	89	89	0	87	87	0	84	84	0
93	93	Host International	Dec. '92	63	63	0	60	60	0	56	56	0
94	94	Dobbs International	Dec. '92	53	53	0	52	52	0	52	52	0
95	95	Caterair International	Dec. '92	46	46	0	46	46	0	45	45	0
96	96	Sky Chefs	Dec. '92	37	37	0	36	36	0	35	35	0
97	97	Westin Hotels	Dec. '92	35	35	0	34	34	0	33	33	0
98	98	Dobbs Houses	Dec. '92	28	28	0	28	28	0	25	25	0
99	99	Disney theme parks and hotels	Sept. '92	13	13	0	13	13	0	13	13	0
100	100	Six Flags amusement parks	Dec. '92	7	7	0	7	7	0	7	7	0
TOTAL:				117,553	49,096	67,878	112,452	47,716	64,247	108,848	46,454	62,353

NRN TOP 100

TOP 100 CHAINS RANKED BY GROWTH IN TOTAL NUMBER OF U.S. UNITS (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91* '91 vs. '90	
1	100	Roy Rogers	Dec. '92	257.99	-66.20
2	1	Rally's	Dec. '92	35.54	29.18
3	38	Marriott Management Services	Dec. '92	30.87	4.68
4	6	Applebee's Neighborhood Grill & Bar	Dec. '92	28.27	19.38
5	10	Little Caesars Pizza	Dec. '92	25.34	15.03
6	5	Cracker Barrel Old Country Store	July '93	19.69	19.81
7	4	Subway	Dec. '92	19.60	20.18
8	2	Olive Garden	May '93	18.75	26.48
9	8	Dunkin' Donuts	Feb. '93	17.87	16.19
10	9	Sbarro, The Italian Eatery	Jan. '93	17.17	15.97
11	16	T.G.I. Friday's	Dec. '92	16.07	11.26
12	3	Ruby Tuesday	June '92	15.79	20.91
13	15	Ryan's Family Steak House	Dec. '92	14.69	11.32
14	11	Chili's Grill & Bar	June '93	14.18	12.70
15	58	Show Biz/Chuck E. Cheese's	Jan. '93	9.56	1.87
16	34	Krystal	Dec. '92	9.31	5.11
17	19	Red Lobster	May '93	9.09	7.84
18	20	Shoney's	Oct. '92	9.03	7.64
19	33	Tony Roma's—A Place for Ribs	Feb. '93	9.02	5.17
20	23	Bob Evans Farms	April '93	8.79	7.06
21	39	Baskin-Robbins	Feb. '93	8.28	4.50
22	32	The Wood Co.	Dec. '92	8.20	5.17
23	7	Ramada Inn	Dec. '92	8.17	18.11
24	13	Taco Bell	Dec. '92	8.08	12.05
25	18	Luby's Cafeteria	Aug. '92	8.00	9.49
26	91	Pizza Inn	June '93	7.67	-2.67
27	24	Sonic Drive-In	Aug. '92	7.55	6.62
28	26	Marriott Hotels & Resorts	Dec. '92	7.18	6.32
29	42	Gardner Merchant Food Services	Feb. '93	6.69	4.00
30	12	Morrison Custom Management	June '93	6.58	12.21
31	54	Denny's	Dec. '92	6.05	2.16
32	17	Radisson Hotels	Dec. '92	5.88	10.39
33	46	Arby's	Dec. '92	5.50	3.52
34	40	Chick-fil-A	Dec. '92	5.43	4.31
35	31	Jack in the Box	Sept. '92	5.14	5.22
36	74	Holiday Inns	Oct. '92	5.07	0.00
37	81	Ground Round	Sept. '92	5.05	-0.50
38	22	Host International	Dec. '92	5.00	7.14
39	59	International House of Pancakes	Dec. '92	4.81	1.84
40	96	Service America Corp.	Mar. '93	4.55	-8.33
41	83	Sheraton Hotels	Dec. '92	4.15	-1.03
42	50	White Castle	Dec. '92	3.89	3.21
43	35	Pizza Hut	Dec. '92	3.85	4.92
44	80	Long John Silver's	July '92	3.48	-0.14
45	21	Bakers Square	Oct. '92	3.35	7.19
46	48	McDonald's	Dec. '92	3.27	3.45
47	64	Del Taco	Dec. '92	3.25	1.09
48	51	Westin Hotels	Dec. '92	2.94	3.03
49	29	ServiceMaster Food Mgmt. Servs.	Dec. '92	2.86	5.66
50	25	Carl's Jr.	Jan. '93	2.79	6.46
51	52	Sky Chefs	Dec. '92	2.78	2.86
52	49	Waffle House	June '93	2.42	3.33
53	57	Quincy's	Dec. '92	2.31	1.89
54	45	Stuart Anderson's Black Angus	Dec. '92	2.30	3.57
55	28	Chi-Chi's	Sept. '92	2.27	5.77
56	43	Popeyes Chicken	Dec. '92	2.10	3.86
57	72	Dobbs International	Dec. '92	1.92	0.00
58	61	Captain D's	Oct. '92	1.89	1.27
59	27	Ogden Allied Entertainment Services	Dec. '92	1.85	5.88
60	89	Big Boy	Dec. '92	1.62	-2.22
61	37	Restaura Inc.	Dec. '92	1.25	4.71
62	66	KFC	Dec. '92	1.19	1.00
63	60	Sizzler	April '93	1.10	1.59
64	79	Whataburger	Sept. '93	1.05	0.00
65	44	ARA Services/ARASERVE	Sept. '92	0.96	3.85
66	69	Dairy Queen	Nov. '92	0.76	0.22
67	56	Perkins Restaurants	Dec. '92	0.74	2.01
68	55	Wendy's	Jan. '93	0.74	2.07
69	62	Godfather's Pizza	May '93	0.59	1.19
70	41	Burger King	Sept. '92	0.35	4.20
71	47	ARA Leisure Services	Sept. '92	0.00	3.45
72	70	Bennigan's	June '93	0.00	0.00
73	53	Caterair International	Dec. '92	0.00	2.22
74	65	Daka Inc.	June '93	0.00	1.05
75	71	Disney theme parks and hotels	Sept. '92	0.00	0.00
76	14	Dobbs Houses	Dec. '92	0.00	12.00
77	73	Furr's Cafeterias	Jan. '93	0.00	0.00
78	63	Golden Corral	Dec. '92	0.00	1.12
79	68	Round Table Pizza	June '93	0.00	0.35
80	75	Seller Corp.	Aug. '92	0.00	0.00
81	76	Six Flags amusement parks	Dec. '92	0.00	0.00
82	77	Steak and Ale	June '93	-0.63	0.00
83	87	Friendly's Restaurants	Dec. '92	-0.64	-1.89
84	78	Village Inn	Oct. '92	-0.88	0.00
85	84	Domino's Pizza	Dec. '92	-1.76	-1.14
86	95	Morrison's	June '93	-1.84	-4.68
87	85	Church's Fried Chicken	Dec. '92	-2.02	-1.61
88	94	El Torito	Dec. '92	-2.65	-3.42
89	86	Hyatt Hotels	Jan. '93	-2.83	-1.85
90	36	Ponderosa	Feb. '93	-2.97	4.73
91	92	Canteen Corp.	Dec. '92	-3.00	-2.86
92	93	7-Eleven	Dec. '92	-3.34	-3.29
93	82	Piccadilly	June '93	-3.52	-0.70
94	88	Hilton Hotels	Dec. '92	-3.89	-1.91
95	90	Marie Callender's	Dec. '92	-5.10	-2.48
96	97	Western Sizzlin'	Dec. '92	-7.71	-9.05
97	99	TCBY	Nov. '92	-11.11	-15.22
98	30	Hardee's	Dec. '92	-11.56	5.42
99	98	Bonanza	Feb. '93	-16.00	-12.18
100	67	K mart	Jan. '93	-16.48	0.50

*Projected
Source: NRN Research

NRN TOP 100

TOP 100 CHAINS RANKED BY GROWTH IN U.S. FRANCHISE UNITS (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	60	Roy Rogers	Dec. '92	214.29	- 58.25
2	1	Krystal	Dec. '92	143.75	433.33
3	3	Golden Corral	Dec. '92	38.46	35.42
4	2	T.G.I.Friday's	Dec. '92	35.42	50.00
5	7	Applebee's Neighborhood Grill & Bar	Dec. '92	27.71	24.81
6	5	Rally's	Dec. '92	27.31	31.71
7	11	Chili's Grill & Bar	June '93	25.86	16.00
8	12	Little Caesars Pizza	Dec. '92	25.36	15.04
9	6	Carl's Jr.	Jan. '93	23.98	31.54
10	8	Subway	Dec. '92	19.60	20.18
11	15	Sbarro, The Italian Eatery	Jan. '93	19.49	8.26
12	10	Dunkin' Donuts	Feb. '93	17.89	16.21
13	17	Denny's	Dec. '92	15.34	7.95
14	16	Shoney's	Oct. '92	12.12	8.20
15	48	Ground Round	Sept. '92	11.36	- 2.22
16	42	Pizza Inn	June '93	10.92	- 0.29
17	24	Tony Roma's—A Place for Ribs	Feb. '93	10.48	5.00
18	39	Marriott Hotels & Resorts	Dec. '92	9.09	0.00
19	21	Ryan's Family Steak House	Dec. '92	8.57	6.06
20	22	Baskin-Robbins	Feb. '93	8.38	5.87
21	9	Ramada Inn	Dec. '92	8.17	18.11
22	37	Del Taco	Dec. '92	8.11	0.00
23	28	International House of Pancakes	Dec. '92	7.43	3.50
24	19	Sonic Drive-In	Aug. '92	6.87	6.38
25	33	Long John Silver's	July '92	6.70	1.59
26	20	Radisson Hotels	Dec. '92	5.71	6.06
27	29	Arby's	Dec. '92	5.57	3.31
28	14	Taco Bell	Dec. '92	4.81	8.87
29	46	Sheraton Hotels	Dec. '92	4.60	- 1.24
30	30	Captain D's	Oct. '92	4.32	2.58
31	38	Holiday Inns	Oct. '92	3.71	0.00
32	23	Jack in the Box	Sept. '92	3.70	5.19
33	18	McDonald's	Dec. '92	3.25	7.68
34	31	Godfather's Pizza	May '93	2.87	2.35
35	27	Burger King	Sept. '92	2.03	3.89
36	50	Big Boy	Dec. '92	1.92	- 3.10
37	25	Popeyes Chicken	Dec. '92	1.77	4.47
38	45	Pizza Hut	Dec. '92	1.73	- 0.83
39	53	Sizzler	April '93	1.28	- 6.92
40	56	KFC	Dec. '92	0.94	- 11.92
41	44	Wendy's	Jan. '93	0.91	- 0.56
42	54	Show Biz/Chuck E. Cheese's	Jan. '93	0.88	- 8.13
43	36	Dairy Queen	Nov. '92	0.76	0.17
44	34	Perkins Restaurants	Dec. '92	0.69	1.40
45	47	Church's Fried Chicken	Dec. '92	0.28	- 1.92
46	4	El Torito	Dec. '92	0.00	33.33
47	35	Round Table Pizza	June '93	0.00	0.18
48	59	TCBY	Nov. '92	0.00	- 20.00
49	32	Village Inn	Oct. '92	0.00	1.92
50	40	Waffle House	June '93	0.00	0.00
51	41	Whataburger	Sept. '93	0.00	0.00
52	43	7-Eleven	Dec. '92	- 0.49	- 0.43
53	13	Ponderosa	Feb. '93	- 1.33	10.29
54	58	Domino's Pizza	Dec. '92	- 1.41	- 13.58
55	51	Hilton Hotels	Dec. '92	- 4.81	- 3.70
56	52	Marie Callender's	Dec. '92	- 5.32	- 6.00
57	26	Hardee's	Dec. '92	- 6.10	4.05
58	49	Chi-Chi's	Sept. '92	- 6.98	- 2.27
59	55	Western Sizzlin'	Dec. '92	- 7.81	- 9.15
60	57	Bonanza	Feb. '93	- 16.09	- 12.24

Note: The 40 Top 100 chains not represented on this table do not franchise.

*Projected

Source: NRN Research

TOP 100 Q & A

Publication of the Top 100 issue usually tests the durability of NRN's switchboard by drawing a flood of inquiries about the rankings and how they were drafted. What follows are answers to some of the most frequently asked questions.

Q: Why wasn't my chain or company included in the listings?

A: Unless a chain generated at least \$195 million in domestic systemwide sales, it will not appear on any of the Top 100 Chains listings. Similarly, a company had to generate at least \$108.1 million in foodservice revenues — not total intake — to appear on the Top 100 Companies ranking.

Q: But my chain has more units than some of the chains included on the Top 100 ranking by number of units. Why wasn't it included on that lists?

A: Only the Top 100 chains, as ranked by systemwide sales, are ranked by such other criteria as number of units and sales per unit. In other words, the universe for those rankings is limited to those chains that appear on Top 100 Chains By Systemwide Sales ranking.

Q: My chain's per-unit sales average exceeds my competitor's averages, yet you listed them on segment rankings and omitted us. Shouldn't we be on those rankings?

A: Here again, only those chains appearing on the Top 100

chains ranking are included in the segment breakouts.

Q: My chain appears on every other industry sales rankings. How could it qualify for those and yet not make your list?

A: Each ranking uses different criteria. We believe that the Top 100 is the industry's most reliable listing because of our rigid adherence to strict standards.

Q: My company's revenues far exceed the tally for many of the chains on the Top 100 Companies ranking, and yet you omitted my concern. Why?

A: Companies were included on the Top 100 Companies list because of their foodservice revenues, not their total revenues. Proceeds from all other types of businesses — including distribution operations — were excluded from the figures.

Q: My chain's domestic systemwide sales are indeed higher than the totals for other chains on the Top 100 Chains ranking. Why wasn't it included?

A: Perhaps it should have been. We might have overlooked it during our research, or might have underestimated your growth in our projections for the coming year.

In any case, please help us avoid our mistake next year by providing us with the name and address of someone we can contact for information. Because the preparation of next year's Top 100 section will begin soon, please promptly send the information to: Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

Q: How do systemwide sales differ from revenues?

A: Systemwide sales consist of the intake of every company-owned and franchised outlet within a chain or multi-unit operation such as a contract feeder. Revenues are limited to a company's intake from its company-run units and franchise royalties.

For example, the intake of every McDonald's unit in the United States constitutes that chain's systemwide sales. But revenues for McDonald's Corp. are limited to the intake of company units and franchise royalties.

Q: What is reflected in the share-of-market figures?

A: Within our context, "share of market" means "share of the Top 100 sales totals." In other words, if a chain has a 3-percent share of market, that chain accounted for 3 percent of the systemwide-sales total for all chains included in the Top 100 ranking. It does not mean that the chain garnered 3 percent of total industry sales.

In the segment charts, the share-of-market chart lists major players' proportion of the sales generated by Top 100 chains competing within that sector.

Q: Where can I write to air comments and criticisms of the Top 100 rankings?

A: Address correspondence to:

Top 100 Editor, Nation's Restaurant News,
425 Park Avenue, New York, N.Y. 10022.

NRN TOP 100

Dinner houses still ride expansion wave

Expansion by the top eight chains offsets the segment's low same-store gains, making the casual, full-service group the growth leader of the Top 100

by Alan Liddle

As if caught up in the election-year spirit, dinner-house operators in the Top 100 are counting greenback ballots cast in their restaurants and tallying a recession-busting mandate to grow at a double-digit pace.

Nowhere among the segments analyzed in Nation's Restaurant News' annual study do the polls and projections forecast a greater rate of expansion than that predicted for the Top 100's group of 13 dinner-house chains.

In recent years analysts have characterized the casual, full-service segment as best positioned to attract aging baby boomers in search of menu diversity, tolerance of children, grown-up ambience and moderate prices.

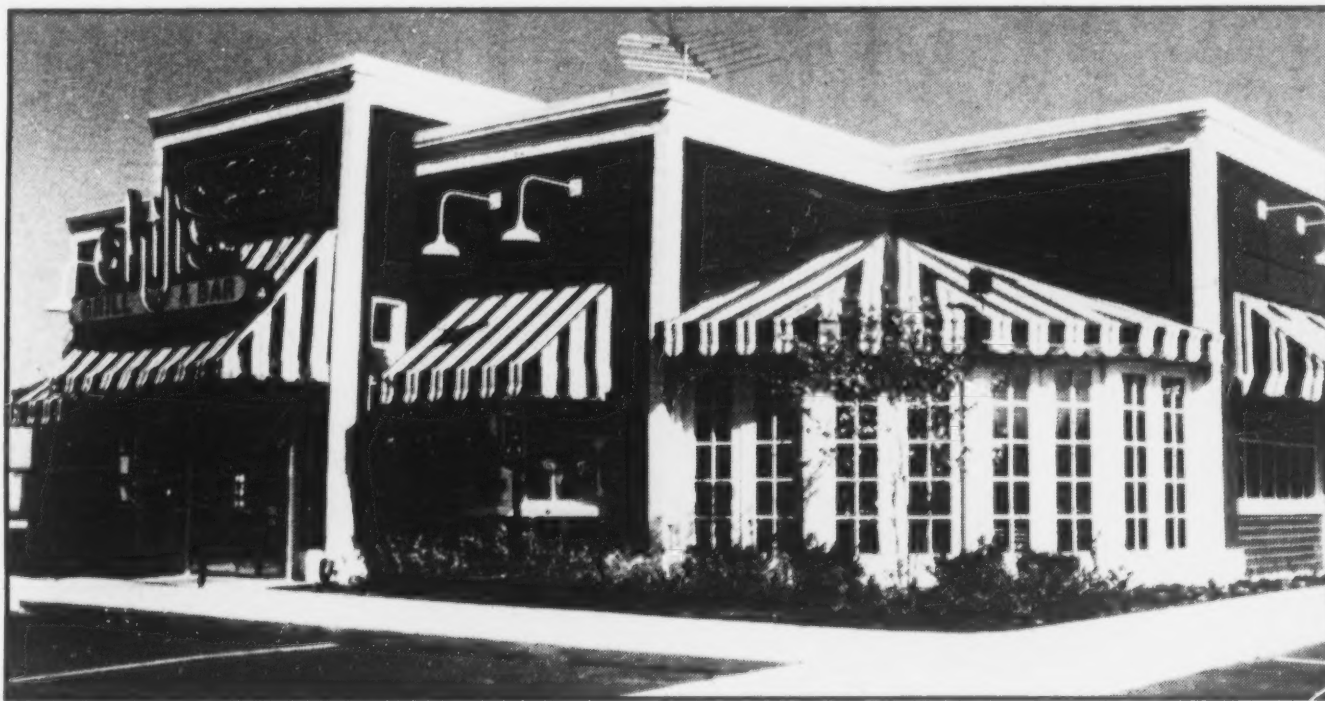
While the growth rates of more than half of the dinner-house chains in the this year's Top 100 suggest they are living up to that billing, others are struggling.

Troubles are besetting several of the segment's best-known players, including the Mexican food chains El Torito and Chi-Chi's Inc., and the highly leveraged operators of some older concepts, among which are Stuart Anderson's Black Angus, Steak and Ale, and Bennigan's.

Bolstered by the ambitious expansion plans of Olive Garden, Applebee's Neighborhood Grill & Bar, Red Lobster, Chili's Grill & Bar, T.G.I. Friday's and Ruby Tuesday, the dinner-house contingent this year is expected to increase its total domestic base by 10 percent, to 3,033 restaurants. Last year's rate of unit growth was 8.9 percent.

If projections for 1992 hold true, the Top 100's dinner-house segment will see its total annual sales fattened by 10.3 percent, to \$6.6 billion — a slight falloff from last year's impressive recession-time growth rate of 10.5 percent.

Most of the dinner-house chains say their sales gains in the current year will



Projections indicate Chili's will expand by 14 percent, to 314 units.

be closely related to the successful attainment of expansion goals, since the economy makes substantial jumps in same-store sales unlikely.

Data from the chains and analysts suggest that the 13 chains' average sales per unit will rise by a mere seven-tenths of a percent this year, to about \$2.2 million. Nevertheless, that gain represents a considerable improvement from last year's 1.6-percent decline in the segment-wide average.

"Consumer demographic changes are such that the casual dinner houses are going to benefit from the aging of the baby boom population," observes Nancy Kruse, a principal of the Technomic research organization.

Michael Mueller, managing director of Montgomery Securities in San Francisco, agrees that "the aging of the population" is of great importance to dinner-house operators, as is the movement of consumers between segments.

"Chains like Applebee's, Chili's and [Brinker International's] Macaroni Grill to some extent will get trading down

[from more expensive restaurants]," Mueller points out, "and they are going to get some trading up and out of fast food."

Patrons drawn to the big-name dinner houses "are not spending an arm and a leg, but they are getting better food than they'd get in a fast-food restaurant or than they can cook at home," Mueller adds. "And they are getting all that in a casual atmosphere, which is what I think people are looking for today, especially that [baby boomer] group."

"I think the roll [dinner houses] were on last year will probably continue," explains Millie Lemajich, an analyst with the RECOUNT division of Restaurant Consulting Group of Evanston, Ill. "What we're seeing with the majority of dinner houses is that they have added, in percentage terms, more than the rest of the industry."

Olive Garden, backed by the considerable resources of parent General Mills Inc., is expected to lead all rivals in the expansion of restaurants, growing by 19 percent, or 60 units, to 380.

Taking aggressive company-store development and franchise sales into consideration, projections call for Applebee's to expand by 29 percent, or 54 units, to 245 restaurants.

Red Lobster watchers are counting on the segment leader to open the dinner-house segment's third-largest number of restaurants this year, 50, as it grows by a projected 9 percent on the domestic front, to 600 restaurants.

Projections indicate Chili's will expand by 14 percent, to 314 units; T.G.I. Friday's will grow by 16 percent, to 195 units; Ruby Tuesday will stretch by 16 percent, to 154 restaurants; Tony Roma's will open 9-percent more stores, for a total of 133; and Ground Round will expand by 9 percent, to 154 units. The other Top 100 dinner-house entries are expected to add new units at a rate of 2 percent or less in the current year.

While dinner-house chains might be well positioned to capitalize on the "graying of America," they are subject to many of the same competitive pressures and realities that conspire to make operating restaurants in any segment an around-the-clock challenge.

Like their counterparts in other segments, dinner-house operators are finding it necessary to continually offer "value" through discounts, enhanced service or limited-time promotions of menu novelties.

Among examples of the trend are T.G.I. Friday's "2 for \$20 TIME" offer, which lets a party of two split an appetizer and dessert and order two entrées for \$20. El Torito, meanwhile, recently began making guacamole to order at table-side. At Applebee's diners find the ongoing "Summertime-Summerfare" menu promotion of special under-\$7 dishes such as a steak Caesar salad, "sizzling stir-fry" and "veggie patch pizza."

Red Lobster, the segment-leading (See *DINNER HOUSES*, page 74)

DINNER-HOUSE CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Red Lobster	May '93	\$1,683.6	\$1,537.0	\$1,400.0
2	2	Olive Garden	May '93	995.1	807.0	613.0
3	3	Chili's Grill & Bar	June '93	665.0	574.8	486.3
4	4	T.G.I. Friday's	Dec. '92	558.0	505.1	467.9
5	5	Bennigan's	June '93	468.4	463.8	459.2
6	6	Chi-Chi's	Sept. '92	434.9	438.7	428.6
7	7	Applebee's Neighborhood Grill & Bar	Dec. '92	374.3	289.6	228.2
8	8	Ground Round	Sept. '92	300.0	286.8	283.9
9	13	Ruby Tuesday	June '92	241.1	201.4	158.4
10	9	El Torito	Dec. '92	232.7	241.1	258.4
11	10	Stuart Anderson's Black Angus	Dec. '92	223.4	220.6	221.4
12	11	Steak and Ale	June '93	221.9	219.0	216.8
13	12	Tony Roma's—A Place for Ribs	Feb. '93	210.5	206.8	198.3
TOTAL:				\$6,608.9	\$5,991.7	\$5,420.4

*Projected
Source: NRN Research

DINNER-HOUSE CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	SALES GROWTH Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	3	Applebee's Neighborhood Grill & Bar	Dec. '92	29.25	26.91
2	1	Olive Garden	May '93	23.31	31.65
3	2	Ruby Tuesday	June '92	19.71	27.15
4	4	Chili's Grill & Bar	June '93	15.69	18.20
5	6	T.G.I. Friday's	Dec. '92	10.47	7.96
6	5	Red Lobster	May '93	9.54	9.79
7	9	Ground Round	Sept. '92	4.60	1.02
8	7	Tony Roma's - A Place for Ribs	Feb. '93	1.79	4.29
9	10	Steak and Ale	June '93	1.32	1.01
10	12	Stuart Anderson's Black Angus	Dec. '92	1.27	- 0.36
11	11	Bennigan's	June '93	0.99	1.00
12	8	Chi-Chi's	Sept. '92	- 0.87	2.36
13	13	El Torito	Dec. '92	- 3.48	- 6.70
AVERAGE:				8.74	9.56

*Projected
Source: NRN Research

NRN TOP 100

DINNER-HOUSE CHAINS RANKED BY TO 100 MARKET SHARE

(share of aggregate sales of dinner-house chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Red Lobster	May '93	25.47%	25.65%	25.83%
2	2	Olive Garden	May '93	15.06	13.47	11.31
3	3	Chili's Grill & Bar	June '93	10.06	9.59	8.97
4	4	T.G.I.Friday's	Dec. '92	8.44	8.43	8.63
5	5	Bennigan's	June '93	7.09	7.74	8.47
6	6	Chi-Chi's	Sept. '92	6.58	7.32	7.91
7	7	Applebee's Neighborhood Grill & Bar	Dec. '92	5.66	4.83	4.21
8	8	Ground Round	Sept. '92	4.54	4.79	5.24
9	13	Ruby Tuesday	June '92	3.65	3.36	2.92
10	9	El Torito	Dec. '92	3.52	4.02	4.77
11	10	Stuart Anderson's Black Angus	Dec. '92	3.38	3.68	4.08
12	11	Steak and Ale	June '93	3.36	3.66	4.00
13	12	Tony Roma's—A Place for Ribs	Feb. '93	3.19	3.45	3.66
TOTAL:				100.00%	100.00%	100.00%

*Projected
Source: NRN Research

DINNER-HOUSE CHAINS RANKED BY SALES PER UNIT

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	T.G.I.Friday's	Dec. '92	\$3,460.0	\$3,360.0	\$3,450.0
2	2	Red Lobster	May '93	2,900.0	2,910.0	3,000.0
3	3	Olive Garden	May '93	2,822.0	2,800.0	2,772.0
4	4	Stuart Anderson's Black Angus	Dec. '92	2,556.5	2,595.5	2,635.0
5	6	Chili's Grill & Bar	June '93	2,310.0	2,265.0	2,218.0
6	5	Chi-Chi's	Sept. '92	2,200.0	2,310.0	2,440.0
7	8	Bennigan's	June '93	2,100.7	2,079.8	2,059.3
8	7	El Torito	Dec. '92	2,022.2	2,095.5	2,246.0
9	9	Tony Roma's—A Place for Ribs	Feb. '93	1,800.0	1,800.0	1,800.0
10	10	Applebee's Neighborhood Grill & Bar	Dec. '92	1,795.7	1,697.1	1,700.0
11	11	Ruby Tuesday	June '92	1,700.0	1,600.0	1,700.0
12	12	Ground Round	Sept. '92	1,465.0	1,448.0	1,427.0
13	13	Steak and Ale	June '93	1,404.1	1,390.2	1,376.4
AVERAGE:				\$2,195.1	\$2,180.9	\$2,217.2

*Projected
Source: NRN Research

Dinner houses still ride expansion wave

(Continued from page 71)

chain with projected sales of about \$1.7 billion for the current fiscal year, found out that competing on the "value" front can be tricky. After adding a 22-item "value" menu of dishes priced below \$9.95, the chain discovered that its margins were being adversely affected by the back-of-the-house complexities and a shift in the menu mix toward costlier items.

In another foiled attempt to enhance its reputation, Red Lobster had servers deliver warm garlic-cheese rolls to guests as soon as they sat down. But a subsequent decline in appetizer orders prompted the chain to revise the policy so that the rolls arrived after patrons were quizzed about their first-course preferences.

Television continues to be the advertising medium of choice for the largest dinner-house players.

Red Lobster, Olive Garden and Chili's — all owned by publicly traded companies — are known to spend most of their advertising monies developing and airing commercials for television. Chili's president, Ronald McDougall, has referred to television as the "workhorse of the future."

Applebee's Neighborhood Grill & Bar still has ways to go before it achieves the market penetration and capital resources needed for a cost-effective national television crusade.

Nevertheless, Applebee's vice president of marketing, Robert Martin, indicates that the chain has found a successful way of reaching a national audience: a print campaign in USA Today coupled with commercials on cable television

stations that are "hand picked using zip codes."

The promise of greater marketing success through television is prompting some chains to take extraordinary steps.

"To increase our ability to use television, we have converted nine restaurants that were not branded El Torito into El Torito units," Mike Casey, the chain's president, reports. Using conversions to achieve greater penetration in key markets increases the cost effectiveness of television, and that "will help us use more of its power moving forward," he says.

Such privately held chains as Bennigan's, which has remained at the 223-unit level for three years, focus much of their marketing efforts on selling patrons once they're inside. Point-of-purchase materials urging diners to "split a dessert" or try one of the chain's new fruit-flavored Pina Colada drinks vie with silverware and paper napkins for space on Bennigan's table tops.

In addition to intramural marketing battles, the big dinner-house operators are being forced to contend with innovative alliances of independents, who have long been vulnerable to the chains' multiunit marketing clout.

One such alliance is the Blue Plate Society of Greenville, S.C., a group of 16 independents who banded together to fund an anti-chain marketing campaign. It underscored the uniqueness of owner-operated businesses by asking diners, "When was the last time you met Mr. Bennigan's or Ms. Tuesday?"

Taking a cue from their quick-service cousins, some dinner-house opera-

(See DINNER HOUSES, page 120)



Red Lobster, along with other segment leaders, is finding benefits in offering discounts, enhanced service or limited-time promotions of menu novelties.

DINNER-HOUSE CHAINS RANKED BY NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	1	Red Lobster	May '93	600	550	510
2	2	Olive Garden	May '93	380	320	253
3	3	Chili's Grill & Bar	June '93	314	275	244
4	7	Applebee's Neighborhood Grill & Bar	Dec. '92	245	191	160
5	5	Chi-Chi's	Sept. '92	225	220	208
6	4	Bennigan's	June '93	223	223	223
7	6	Ground Round	Sept. '92	208	198	199
8	8	T.G.I.Friday's	Dec. '92	195	168	151
9	9	Steak and Ale	June '93	157	158	158
10	10	Ruby Tuesday	June '92	154	133	110
11	11	Tony Roma's—A Place for Ribs	Feb. '93	133	122	116
12	12	El Torito	Dec. '92	110	113	117
13	13	Stuart Anderson's Black Angus	Dec. '92	89	87	84
TOTAL:				3,033	2,758	2,533

*Projected
Source: NRN Research

DINNER-HOUSE CHAINS RANKED BY GROWTH IN NUMBER OF U.S. UNITS

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91*	
1	3	Applebee's Neighborhood Grill & Bar	Dec. '92	28.27	19.38
2	1	Olive Garden	May '93	18.75	26.48
3	5	T.G.I.Friday's	Dec. '92	16.07	11.26
4	2	Ruby Tuesday	June '92	15.79	20.91
5	4	Chili's Grill & Bar	June '93	14.18	12.70
6	6	Red Lobster	May '93	9.09	7.84
7	8	Tony Roma's - A Place for Ribs	Feb. '93	9.02	5.17
8	12	Ground Round	Sept. '92	5.05	- 0.50
9	9	Stuart Anderson's Black Angus	Dec. '92	2.30	3.57
10	7	Chi-Chi's	Sept. '92	2.27	5.77
11	10	Bennigan's	June '93	0.00	0.00
12	11	Steak and Ale	June '93	- 0.63	0.00
13	13	El Torito	Dec. '92	- 2.65	- 3.42
AVERAGE:				9.04	8.40

*Projected
Source: NRN Research

NRN TOP 100

Family chains battle outside competition

Quick service, casual themers pose threats but family restaurants punch through competitors with service, menu upgrades, streamlined operations

by Bill Carlino

Operating in an economy that remains as suspect as a glass-jawed prizefighter, family restaurants have attempted to punch up traffic counts and sales with revamped menus, refined customer service and streamlined operations.

But the family segment players sometimes find themselves sparring with scrappy rivals from outside their weight classification.

"Although the segment as a whole remains fairly steady, family restaurants are under pressure from the quick-service and casual [dinner-house] categories," says Barry Stouffer, who tracks several family operators for the Nashville, Tenn.-based securities firm of J.C. Bradford & Co. "A 99-cent or 79-cent item at a fast-food chain is pretty compelling. So there's been some instances of crossover from the family restaurants into other segments."

From the standpoint of pricing, family restaurants have catered to demands at both ends of the spectrum, tapping both the bargain allure of fast food and the upper-scale ambience of the casual-themed operators.

Meanwhile, many segment opera-

cently inked a pact with a Philadelphia-based firm to license its trademarked Big Boy character. However, the sudden passing of industry legend Bob Wian, who founded the Big Boy chain in 1936, added a somber footnote to 1992.

The 845-unit Shoney's chain has been buoyed in 1992 by a streamlined field-management structure and newly empowered unit-level managers who are expected to run their stores from the front of the house rather than from the kitchen. The Nashville, Tenn.-based operator and franchisor pared down the number of its field supervisory personnel from a total of 325 to 240 in order to create a more direct chain of command.

The restructuring at Shoney's was an integral part of the company's ongoing "Project 80-85" — a systemwide drive to raise mystery-shoppers' approval scores to a minimum of 80 percent.

New menus at Shoney's feature top sirloin, chicken and shrimp combinations and a series of "homestyle" dinners. Shoney's also accelerated the roll-out of its "Pie Shoppe" component to more than 100 restaurants.

During its annual convention in March, the company unveiled plans to inaugurate a new Shoney's prototype,



Shoney's has gotten a boost from a streamlined field management structure.

tors have mandated employee training programs and refresher courses on customer service, while extending greater authority to unit-level managers in a "bottom-up" management approach.

At Elias Bros. Restaurants, the operator and franchisor of the 925-unit Big Boy chain, director of marketing Tony Michaels attributes this year's 9-percent growth in average unit sales to an amalgamation of strategies, including new menu items and advertising campaigns.

To lure economical diners, the Warren, Mich.-based chain launched a \$2.99 Big Boy special — a burger, fries and coleslaw — and supported it with a national advertising campaign. Other Big Boy meal bargains included a \$2.99 "Blockbuster Breakfast," two eggs, sausage, bacon and hash browns and a newspaper.

Big Boy's new afternoon and evening daypart entrées were highlighted by a quartet of broiled chicken dinners under the banner "Taste Ticklin' chicken."

Last fall the chain rolled out a program called "Decide for Yourself," in which customers were encouraged to complete comment cards as a gauge of the perceived service and food quality of Big Boy in comparison with those of its competitors.

On marketing fronts, Elias Bros. re-

featuring a more contemporary appearance and upgraded decor package. The first of the "Shoney's of the Future" restaurants is expected to open in late August in the Nashville area.

The chain also divested its Shoney's Inns to a franchisee and strengthened its presence in Chicago and Washington, D.C., through new area-development pacts with franchisees.

An initial public offering, an array of upgraded menu items and a new TV advertising spokesperson constituted the year's highlight reel for Glendale, Calif.-based IHOP Corp.

Intent on forging a reputation for menu items other than its pancake foundation, the 500-unit operator and franchisor of International House of Pancakes restaurants even abbreviated its name to IHOP on new units. Among the chain's new menu items were 12-ounce and 16-ounce T-bone steak entrées available during all three dayparts.

IHOP also unveiled a new advertising campaign featuring its new spokesperson, "Cliff," a regular guy who frequents IHOP with such regularity that during one spot he actually receives his mail while he is eating breakfast.

Village Inn, a 230-unit division of Vicorp Restaurants Inc., has been retooled. (See *FAMILY*, page 80)

FAMILY CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '92	\$1,610.0	\$1,530.0	\$1,479.0
2	2	Shoney's	Oct. '92	1,260.0	1,100.0	991.3
3	3	Big Boy	Dec. '92	1,117.7	1,022.1	1,023.5
4	5	Perkins Restaurants	Dec. '92	539.0	505.0	471.0
5	4	Friendly's Restaurants	Dec. '92	534.7	529.9	525.8
6	7	Cracker Barrel Old Country Store	July '93	489.5	398.0	300.2
7	6	International House of Pancakes	Dec. '92	473.7	413.6	385.1
8	8	Bob Evans Farms	April '93	416.4	361.1	324.9
9	9	Bakers Square	Oct. '92	285.0	278.5	249.0
10	10	Village Inn	Oct. '92	249.0	240.9	240.5
11	11	Marie Callender's	Dec. '92	239.0	236.0	246.0
12	12	Waffle House	June '93	225.7	217.0	195.0
TOTAL:				\$7,439.7	\$6,832.2	\$6,431.2

*Projected
Source: NRN Research

FAMILY CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91	
				'92 vs. '91	'91 vs. '90
1	1	Cracker Barrel Old Country Store	July '93	22.99	32.58
2	4	Bob Evans Farms	April '93	15.31	11.14
3	5	Shoney's	Oct. '92	14.55	10.97
4	6	International House of Pancakes	Dec. '92	14.54	7.39
5	11	Big Boy	Dec. '92	9.35	- 0.13
6	7	Perkins Restaurants	Dec. '92	6.73	7.22
7	8	Denny's	Dec. '92	5.23	3.45
8	3	Waffle House	June '93	4.01	11.28
9	10	Village Inn	Oct. '92	3.35	0.18
10	2	Bakers Square	Oct. '92	2.32	11.88
11	12	Marie Callender's	Dec. '92	1.27	- 4.07
12	9	Friendly's Restaurants	Dec. '92	0.90	0.80
AVERAGE:				8.38	7.72

*Projected
Source: NRN Research

FAMILY CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sales of family chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '92	21.64%	22.39%	23.00%
2	2	Shoney's	Oct. '92	16.94	16.10	15.41
3	3	Big Boy	Dec. '92	15.02	14.96	15.91
4	5	Perkins Restaurants	Dec. '92	7.24	7.39	7.32
5	4	Friendly's Restaurants	Dec. '92	7.19	7.76	8.18
6	7	Cracker Barrel Old Country Store	July '93	6.58	5.83	4.67
7	6	International House of Pancakes	Dec. '92	6.37	6.05	5.99
8	8	Bob Evans Farms	April '93	5.60	5.29	5.05
9	9	Bakers Square	Oct. '92	3.83	4.08	3.87
10	10	Village Inn	Oct. '92	3.35	3.53	3.74
11	11	Marie Callender's	Dec. '92	3.21	3.45	3.83
12	12	Waffle House	June '93	3.03	3.18	3.03
TOTAL:				100.00%	100.00%	100.00%

*Projected
Source: NRN Research

NRN TOP 100

FAMILY CHAINS RANKED BY SALES PER UNIT

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Cracker Barrel Old Country Store	July '93	\$3,519.2	\$3,420.0	\$3,115.0
2	5	Bob Evans Farms	April '93	1,650.0	1,525.0	1,400.0
3	2	Marie Callender's	Dec. '92	1,650.0	1,650.0	1,650.0
4	3	Bakers Square	Oct. '92	1,620.0	1,631.0	1,555.0
5	4	Shoney's	Oct. '92	1,600.0	1,559.0	1,538.0
6	6	Perkins Restaurants	Dec. '92	1,341.0	1,352.0	1,340.0
7	9	Big Boy	Dec. '92	1,189.0	1,105.0	1,081.0
8	8	Village Inn	Oct. '92	1,180.0	1,144.0	1,093.0
9	7	Denny's	Dec. '92	1,160.0	1,230.0	1,190.0
10	10	International House of Pancakes	Dec. '92	887.0	845.0	801.0
11	11	Friendly's Restaurants	Dec. '92	690.0	659.0	640.0
12	12	Waffle House	June '93	365.0	360.0	355.0
AVERAGE:				\$1,404.3	\$1,373.3	\$1,313.2

*Projected
Source: NRN Research

FAMILY CHAINS RANKED BY NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	Denny's	Dec. '92	1,402	1,322	1,294
2	2	Big Boy	Dec. '92	940	925	946
3	4	Shoney's	Oct. '92	845	775	720
4	3	Friendly's Restaurants	Dec. '92	775	780	795
5	5	Waffle House	June '93	635	620	600
6	6	International House of Pancakes	Dec. '92	523	499	490
7	7	Perkins Restaurants	Dec. '92	410	407	399
8	8	Bob Evans Farms	April '93	297	273	255
9	9	Village Inn	Oct. '92	226	228	228
10	10	Bakers Square	Oct. '92	185	179	167
11	12	Cracker Barrel Old Country Store	July '93	152	127	106
12	11	Marie Callender's	Dec. '92	149	157	161
TOTAL:				6,539	6,292	6,161

*Projected
Source: NRN Research

Family chains battle fast feeders, casual themers

(Continued from page 76)

ing its menu over the past year, a process resulting in the recent introductions of entrée salads, a line of grilled sandwiches and a still-in-test soup, salad and sandwich combination.

According to Jim Caruso, president of Village Inn, the chain has as its strategic goal the development of at least three new product lines a year.

"We're not engaged in cutthroat discounting," Caruso explains. "We're positioned to be a high-quality provider in the midprice segment. There really is a large audience out there for a chain offering quality and value." He adds that the company intends to increase its company-store growth rate, a strategy that had been subordinated in recent years.

PoFolks Inc. is another family-segment player targeting company growth. Under new president and chief executive Bob Ovington, The Nashville-based chain has based its future expansion plans on carefully monitored company growth, primarily through buybacks of franchised units. PoFolks says it plans to pad the ranks of its company-owned restaurants at the rate of eight to 10 stores annually.

Cracker Barrel, the fast-growing family operator with branches dotting the interstate highways of the Southeast, has expanded into such new territories as Louisiana and Wisconsin and "backfilled" gaps in West Virginia, Mississippi, Michigan and Missouri. The company said it intends to open 21 new units by the end of fiscal 1992.

Buoyed by \$44 million in cash accrued from recent stock and debt offerings, the combination restaurant-and-gift-shop concept says it will maintain its annual 20-percent growth rate in terms of unit expansion. An additional 25 units are planned for 1993.

In terms of sales, Cracker Barrel

consistently has been the family segment's star performer. The Lebanon, Tenn.-based chain has reported increases in same-store sales for the last 28 consecutive quarters, a record unmatched in the family category. The chain's average unit sales hover comfortably over \$3 million, nearly one and one-half times that of its nearest competitor.

"They're consistently knocking the ball out of the park when most restau-

FAMILY CHAINS RANKED BY GROWTH IN NUMBER OF U.S. UNITS

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Cracker Barrel Old Country Store	July '93	19.69	19.81
2	2	Shoney's	Oct. '92	9.03	7.64
3	4	Bob Evans Farms	April '93	8.79	7.06
4	6	Denny's	Dec. '92	6.05	2.16
5	8	International House of Pancakes	Dec. '92	4.81	1.84
6	3	Bakers Square	Oct. '92	3.35	7.19
7	5	Waffle House	June '93	2.42	3.33
8	11	Big Boy	Dec. '92	1.62	2.22
9	7	Perkins Restaurants	Dec. '92	0.74	2.01
10	10	Friendly's Restaurants	Dec. '92	- 0.64	- 1.89
11	9	Village Inn	Oct. '92	- 0.88	0.00
12	12	Marie Callender's	Dec. '92	- 5.10	- 2.48
AVERAGE:				4.16	3.70

*Projected
Source: NRN Research

rant companies are struggling just to get up to bat," one analyst remarks.

Denny's, the largest player in the family category, has rolled out 10 of its signature "Grand Slam" meals, including a popular Clubhouse Slam — a sandwich of ham, turkey, Swiss and American cheese with a side of potato salad — in addition to several new stir-fry Slams.

The 1,400-unit operator says it has focused its expansion efforts primarily in the Southeast and has mapped out a schedule of 30 restaurant openings by the end of 1992. To ease expansion into smaller markets, Denny's has unveiled a smaller prototype, a 2,700-square-foot facility with a seating capacity of 80.

The company also reached a milestone with the opening of its 1,000th company-owned restaurant.

Columbus, Ohio-based Bob Evans Farms, the chain known for its red farmhouse exterior, continues to concentrate on boosting dinner revenues. Buoyed by the third phase of its "daily dinner specials," a series of weekday evening bargain entrées, Bob Evans Farms has raised its dinner revenues to 47 percent of its total sales mix.

New Bob Evans products include corn on the cob, chicken Monterey, barbecue ribs and fresh-squeezed lemonade.

During the year the 800-unit Friendly's unveiled "Company C," a radical

(See FAMILY, page 118)



International House of Pancakes has introduced the 'IHOP' logo.

NRN TOP 100

PIZZA CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '92	\$ 4,450.0	\$4,150.0	\$3,900.0
2	2	Domino's Pizza	Dec. '92	2,358.0	2,400.0	2,650.0
3	3	Little Caesars Pizza	Dec. '92	2,160.0	1,725.0	1,400.0
4	5	Show Biz/Chuck E. Cheese's	Jan. '93	343.5	302.4	281.5
5	4	Round Table Pizza	June '93	315.0	315.0	311.0
6	6	Sbarro, The Italian Eatery	Jan. '93	300.6	273.3	249.8
7	7	Godfather's Pizza	May '93	242.0	228.0	226.0
8	8	Pizza Inn	June '93	192.9	155.2	151.5
TOTAL:				\$10,362.0	\$9,548.9	\$9,169.8

*Projected
Source: NRN Research

PIZZA CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH
(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Little Caesars Pizza	Dec. '92	25.22	23.21
2	5	Pizza Inn	June '93	24.25	2.43
3	3	Show Biz/Chuck E. Cheese's	Jan. '93	13.59	7.42
4	2	Sbarro, The Italian Eatery	Jan. '93	9.99	9.41
5	4	Pizza Hut	Dec. '92	7.23	6.41
6	7	Godfather's Pizza	May '93	6.14	0.88
7	6	Round Table Pizza	June '93	0.00	1.29
8	8	Domino's Pizza	Dec. '92	- 1.75	- 9.43
AVERAGE:				10.58	5.20

*Projected
Source: NRN Research

Pizza chains chart ambitious growth

Major players safeguard market against fast-food invaders while widening the mom-and-pop gap with new products, unusual sites and niche marketing

by Theresa Howard

Seeking to nurture their 65-percent share of the industry's \$16 billion pizza market, the nation's eight largest pizza chains are building ambitious growth strategies on foundations of new products, innovative toppings, non-traditional sites and localized "micro-marketing."

With impending threats from McDonald's and other well-funded players who are moving into the pizza arena, the segment's major chains are doing what they do best to retain and grow their market shares.

The efforts were taken during a year when the segment's dominant operators appear to be dramatically widening their lead over smaller regional chains and mom-and-pop pizzerias.

Projections call for the aggregate sales of pizza chains in NRN's Top 100 to surge this year by a nominal 8.5 percent — more than double their growth rate last year — to nearly \$10.4 billion.

Growth trends that are markedly different from those of the pizza industry at large suggest that the dominant chains are gobbling up the lesser players' customer bases.

Increased competition and the lagging economy pulled the overall segment's customer-traffic growth rate down to 2 percent for the first half of 1992 compared with guest counts in the same period last year, observes George Rice, president of the research group GDR Enterprises.

"Historically, the pizza segment has grown at rates considerably greater than the industry," Rice notes. "But this year

person checks and increase frequency.

On the food front, the chains are tailoring new items to bolster their market appeal. They also are using new menu items to improve perceived price-value relationships, with an emphasis on quality.

Leading the list of food trends are pizzas that shed traditional toppings like pepperoni and sausage for such things as barbecued chicken and Cajun-spiced shrimp. The trend, which was popularized in such West Coast hot spots as Spago and the California Pizza Kitchen chain, has filtered into the mainstream through the likes of Domino's and Pizza Hut. Those brands have introduced the barbecued and shrimp toppings on a regional basis.

Pasta, too, has become an increasingly popular menu item. Pizza Hut plans to make it as popular as hamburgers and french fries through the introduction of its Fastino's restaurant concept — a drive-through that serves pasta dishes and pizza by the slice.

Papa Gino's of America, one of the Top 100 companies, has introduced a variety of new pasta items and is testing a Caesar salad in about five of its chain's units.

One of the most intriguing events that change the face of the pizza segment, however, is the recent acquisition by Pizza Hut's parent company, PepsiCo Inc., of a majority stake in the full-service California Pizza Kitchen chain.

Although Los Angeles-based CPK is considerably more upscale than traditional pizza players in the Top 100, its deal with deep-pocketed PepsiCo could conceivably make the small but high-grossing chain a potent factor in the segment's competitive dynamics.

One operator, however, contends that gourmet pizzas are a fad that will not fly in Middle America. "Ethnic toppings are starting to wane and die out," says Herman Cain, chief executive and president of Godfather's Pizza. "I have this theory that people look to advertising and new products to boost business. But in today's economic times, people fall back on their basic preferences. New products provide a nice, temporary change for many of our customers, who will try them, like them, then go back [to their favorites]," he explains.

Nevertheless, Godfather's introduced a "Hawaiian Supreme" pizza earlier this year.

Other operators view new products as an opportunity to increase customer visits.

"We are trying to keep our patrons through customer service and by in- (see PIZZA CHAINS, page 87)



“New products provide a nice, temporary change for many of our customers, who will try them, like them, then go back [to their favorites].”
— Herman Cain
of Godfather's

PIZZA CHAINS RANKED BY TOP 100 MARKET SHARE
(share of aggregate sales of pizza chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '92	42.95	43.46	42.53
2	2	Domino's Pizza	Dec. '92	22.76	25.13	28.90
3	3	Little Caesars Pizza	Dec. '92	20.85	18.06	15.27
4	5	Show Biz/Chuck E. Cheese's	Jan. '93	3.32	3.17	3.07
5	4	Round Table Pizza	June '93	3.04	3.30	3.39
6	6	Sbarro, The Italian Eatery	Jan. '93	2.90	2.86	2.72
7	7	Godfather's Pizza	May '93	2.34	2.39	2.46
8	8	Pizza Inn	June '93	1.86	1.63	1.65
TOTAL:				100.00	100.00	100.00

*Projected
Source: NRN Research

it is the same as the industry rate."

In seemingly successful efforts to surmount the flattish trend, the pizza operators in the Top 100 are pushing value-added programs, marketing to neighborhood niches and introducing a range of new products designed to beef up per-

NRN TOP 100

Pizza chains chart ambitious growth

(Continued from page 84)

creasing their visits through some menu expansion," says James Fletcher, president of San Francisco-based Round Table Pizza. "We are doing a little bit at a time and being careful not to depart from the loyalty we have established [with our existing products]. We're introducing a barbecue pizza, nothing too exotic, and trying variations on the basic pizza product. We're also looking at entrées that fit our store profile."

While some of the big chains are merely adding new fixings to top off pizzas, others have put forth systemwide programs that promote the overall quality of their dining experiences, not just product quality.

Last fall Domino's began to tout a new and improved pizza recipe, and Round Table began a "Quality Service Cleanliness" program.

And Domino's says it has chalked up noticeable improvements in service and quality control, according to Phil Bressler, the chain's vice president of operations.

During the company's annual franchise convention in April, Domino's officials expressed disappointment at findings about customer perception of the chain's service. "We went back and reran the numbers' second- and third-quarter comparisons on our quality rating, and we have moved forward," Bressler explains. He cites improved rating of product quality, up from 3.46 to 3.59 on a scale of 1 to 5; friendliness, up from 3.8 to 4.3; employee responsiveness, up from 2.9 to 3.3; and politeness, from 4.0 to 4.5.

"We are working at improving quality and service in the restaurants through our QSC program by dealing with the fundamentals," says Round Table's Fletcher. The program creates incentives for managers and owner-operators

to make strides with its value-added entertainment for kids and families.

Meanwhile, as some operators are trying menu changes and attention to service as strategies to retain customer loyalty, others are resorting to "micro-marketing" in their sporadic but growing use of coupons and discount deals, frequently varying them on a store-by-store basis.

While Round Table has tried to avoid the pizza segment's deal and discount craze, the company was sucked into the whirlpool in May when the entirely franchised chain introduced its first "double deal" promotion. It allows customers to purchase a large 14-inch pizza for \$6, with a medium one only \$4 more.

The 560-unit unit Sbarro chain introduced a value menu at many of retail mall and downtown locations. However, Sbarro's sales have dipped considerably in this year's Top 100 report because of a fall-off in retail mall traffic and, perhaps, because of continued management and executive turnover at the Commack, N.Y.-based chain's headquarters. Another factor sharply hitting the company is the issue of perceived value, which forced the chain into discounting.

"One of our biggest concerns continues to be price promotion; it puts pressure on margins," says Round Table's Fletcher. "Continuing to offer customers a good value while hacking away at prices is a constant battle."

Technologies and computer systems that allow operators to offer speedier service and maintain a data base of information on customers — a virtual marketing gold mine that lets unit managers track and act on buying habits of regular patrons — are fast becoming a popular method to build customer loyalty during such price-crunching times.



Pizza Hut is attempting to improve service and is targeting basic operations.

tors in the areas of quality, service and cleanliness.

Pizza Hut, too, is attempting to improve service and is targeting basic operational functions. "One thing we are focusing on is speed at the unit level," comments Pat Williamson, the chain's executive vice president of development. "It is not so much a new training program as it is focusing on 'presaucing,' 'precheesing' and driver staffing."

Williamson says the company is currently running a one-unit test of a service guarantee that promises "if you don't like the product or service, the next one is on us."

At Papa Gino's and Godfather's, full service is being eyed as a potential value-added opportunity. "We have full service in six stores, but we are still evaluating whether it fits our strategy," points out Papa Gino's chief operating officer, James Grimm. Godfather's indicated that a test of full service is being considered there also.

The Showbiz Pizza Time chain con-

tinues to make strides with its value-

PIZZA CHAINS RANKED BY SALES PER UNIT

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Show Biz/Chuck E. Cheese's	Jan. '93	\$1,340.	\$1,297.0	\$1,269.0
2	2	Pizza Hut	Dec. '92	653.0	637.0	631.0
3	3	Round Table Pizza	June '93	554.0	554.0	547.0
4	4	Sbarro, The Italian Eatery	Jan. '93	515.0	515.0	546.0
5	8	Pizza Inn	June '93	490.7	425.3	404.1
6	5	Little Caesars Pizza	Dec. '92	472.1	472.6	441.2
7	6	Godfather's Pizza	May '93	472.0	446.0	449.0
8	7	Domino's Pizza	Dec. '92	431.6	431.6	439.4
AVERAGE:				\$ 616.1	\$ 597.3	\$ 590.8

*Projected
Source: NRN Research

PIZZA CHAINS RANKED BY NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	Pizza Hut	Dec. '92	7,280	7,010	6,681
2	2	Domino's Pizza	Dec. '92	4,860	4,947	5,004
3	3	Little Caesars Pizza	Dec. '92	4,575	3,650	3,173
4	5	Sbarro, The Italian Eatery	Jan. '93	621	530	457
5	4	Round Table Pizza	June '93	568	568	566
6	6	Godfather's Pizza	May '93	515	512	506
7	7	Pizza Inn	June '93	393	365	375
8	8	Show Biz/Chuck E. Cheese's	Jan. '93	298	272	267
TOTAL:				19,110	17,854	17,029

*Projected
Source: NRN Research

PIZZA CHAINS RANKED BY GROWTH
IN NUMBER OF U.S. UNITS

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	2	Little Caesars Pizza	Dec. '92	25.34	15.03
2	1	Sbarro, The Italian Eatery	Jan. '93	17.17	15.97
3	4	Show Biz/Chuck E. Cheese's	Jan. '93	9.56	1.87
4	8	Pizza Inn	June '93	7.67	- 2.67
5	3	Pizza Hut	Dec. '92	3.85	4.92
6	5	Godfather's Pizza	May '93	0.59	1.19
7	6	Round Table Pizza	June '93	0.00	0.35
8	7	Domino's Pizza	Dec. '92	- 1.76	- 1.14
AVERAGE:				7.80	4.44

*Projected
Source: NRN Research

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NRN TOP 100



Burger King has introduced its Expressway concepts in its effort to put the restaurants in closer proximity to its customers.

Sandwich giants wage service war

After battling for market share with menu additions and pricing strategies, segment leaders are going back to the basics and catering to the customer

by Milford Prewitt

Many of the giant sandwich-chain operators in the Top 100 are pinpointing customer service as the next strategic battleground where they intend to fight for market share and proclaim their differences from the rest of the pack.

After years of slashing prices, diversifying menus and developing non-traditional locales, many of the industry's leading burger and sandwich outfits seemingly share the sentiments of Alexander the Great, who, upon conquering all of the known lands on his map, wept when he ran out of places to invade.

While the sandwich segment's quandary is not so dire as the one that confronted Alexander, its maps of opportunity have nevertheless contracted over the past five or six years, and for many of the chains, the open roads are leading to customer service.

Overall, the 18 chains in the Top 100's sandwich segment are expected to increase their domestic systemwide sales this year by 4.7 percent, to \$38.5 billion, a decline from the 3.3-percent increase tracked between 1990 and 1991.

What is essentially happening, according to observers of the sandwich segment, is that its price wars appear to be waning, leaving many competitors with nothing else to tout but service and menu novelty.

Others argue that the price war is alive and well, though nowhere near so fiercely waged as it was two years ago.

"There's less discounting going on, but that doesn't mean the price wars have stopped," says Michael Mueller, an analyst with Montgomery Securities in San Francisco. "You have to have low prices in order to compete, so discounting is here to stay."

But Mueller also contends that customer service is being promoted because many companies, in their fervor to expand menus and chains, have bungled their service quotients over the past few years.

"Basically what is going on here is that many companies are attempting to provide something customers took for granted but is hard to find," Mueller ex-

plains. "As a result, they are looking at service as something that somehow makes them different."

He adds, "I think it makes a strong commentary about the state of customer service that something as basic as getting an order fast and accurate has to be promoted."

Virtually all of the segment's giants — Sonic, McDonald's, Hardee's, Burger King and Rally's — are seeking a competitive edge through investments in improved levels of customer service by way of operations and marketing.

"People have been pushing customer service for a long time, and there is not one aspect of service that one chain does that another doesn't," remarks Denny Lynch, a spokesman for Wendy's. "But what we are seeing is the first time that customer service is starting to creep into the marketing budgets."

But Lynch issues a caution.

"It's a great strategy, but if you can't deliver it when the customer hits the door, it is going to turn a lot of people off," he points out.

"Customers are very sensitive to service, and they come to a restaurant with certain expectations. But you cannot assume that advertising is going to solve your customer service problems," Lynch added.

To be sure, many burger operators still feel the heat of the value wars. Recently, the Carl's Jr. chain — whose marketing has tried to take the high road of recipe superiority by urging consumers to "come for the food" — belatedly joined the cut-rate fray with value-priced supplemental menus.

For many of the sandwich chains, customer service has become the new battlefield.

Rally's, the rapidly expanding twin-lane drive-through concept, underscored the segment's newfound appreciation for customer service about a year ago when it launched the advertising campaign "We get it right, or you get it free."

The burger chain followed up the theme with dramatic sales gains on the strength of its "Cha-ching" commercial, a humorous spot that poked fun at other double-drive-through competitors in which an order taker yells "Cha-ching"

SANDWICH CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	McDonald's	Dec. '92	\$12,703.0	\$12,519.0	\$12,251.0
2	2	Burger King	Sept. '92	6,450.0	6,225.0	6,100.0
3	3	Hardee's	Dec. '92	3,800.0	4,200.0	4,101.0
4	5	Taco Bell	Dec. '92	3,100.0	2,700.0	2,400.0
5	4	Wendy's	Jan. '93	3,001.0	2,911.0	2,762.0
6	6	Dairy Queen	Nov. '92	2,091.0	2,010.6	1,980.0
7	8	Subway	Dec. '92	1,650.0	1,300.0	1,050.0
8	7	Arby's	Dec. '92	1,449.0	1,346.0	1,301.0
9	9	Jack in the Box	Sept. '92	996.0	978.0	943.2
10	17	Roy Rogers	Dec. '92	687.0	186.0	500.0
11	10	Carl's Jr.	Jan. '93	634.4	610.0	574.4
12	11	Sonic Drive-In	Aug. '92	600.0	519.0	454.5
13	12	Whataburger	Sept. '93	329.5	318.4	309.6
14	13	White Castle	Dec. '92	306.0	300.0	297.0
15	15	Rally's	Dec. '92	256.6	221.1	185.6
16	14	Del Taco	Dec. '92	238.0	224.0	205.0
17	16	Krystal	Dec. '92	220.0	211.0	204.0
TOTAL:				\$38,511.5	\$36,779.1	\$35,618.3

*Projected
Source: NRN Research

SANDWICH CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH (Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	17	Roy Rogers	Dec. '92	269.35	-62.80
2	1	Subway	Dec. '92	26.92	23.81
3	2	Rally's	Dec. '92	16.06	19.13
4	3	Sonic Drive-In	Aug. '92	15.61	14.19
5	4	Taco Bell	Dec. '92	14.81	12.50
6	9	Arby's	Dec. '92	7.65	3.46
7	5	Del Taco	Dec. '92	6.25	9.27
8	10	Krystal	Dec. '92	4.27	3.43
9	6	Carl's Jr.	Jan. '93	4.00	6.20
10	15	Dairy Queen	Nov. '92	4.00	1.55
11	14	Burger King	Sept. '92	3.61	2.05
12	11	Whataburger	Sept. '93	3.49	2.84
13	7	Wendy's	Jan. '93	3.09	5.39
14	16	White Castle	Dec. '92	2.00	1.01
15	8	Jack in the Box	Sept. '92	1.84	3.69
16	13	McDonald's	Dec. '92	1.47	2.19
17	12	Hardee's	Dec. '92	-9.52	2.41
AVERAGE:				7.67	7.38

*Projected
Note: The average percentage-change figure excludes Roy Rogers and Hardee's.
Roy Rogers' projected growth would result from the chain's large-scale reconversion from its sister brand, Hardee's.
Source: NRN Research

every time a family orders from an over-priced and bloated menu board.

The largest chain in the twin-lane drive-through niche, Rally's is beginning to up the ante with a massive investment in customer service by its systemwide installations of a state-of-the-art interactive video device that allows consumers and servers to see each other and to double-check orders and prices.

"We don't have a lot of opportunity to meet the customer face to face," observes Bruce Ley, Rally's marketing executive, "so the system becomes a good way for us to add that extra touch."

Ley declines to reveal the per-unit investment cost of the new system. But he is one of many executives who concur that customer service is taking center stage in marketing programs because the segment has done about all it can do to push low prices.

"I think, for many companies, they (See SANDWICH, page 95)

The 18 chains in the Top 100's sandwich segment are expected to increase their domestic systemwide sales this year by 4.7 percent.

NRN TOP 100

SANDWICH CHAINS RANKED BY TOP 100 MARKET SHARE (share of aggregate sales of sandwich chains in Top 100)						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	McDonald's	Dec. '92	32.98%	34.04%	34.40%
2	2	Burger King	Sept. '92	16.75	16.93	17.13
3	3	Hardee's	Dec. '92	9.87	11.42	11.51
4	5	Taco Bell	Dec. '92	8.05	7.34	6.74
5	4	Wendy's	Jan. '93	7.79	7.91	7.75
6	6	Dairy Queen	Nov. '92	5.43	5.47	5.56
7	8	Subway	Dec. '92	4.28	3.53	2.95
8	7	Arby's	Dec. '92	3.76	3.66	3.65
9	9	Jack in the Box	Sept. '92	2.59	2.66	2.65
10	17	Roy Rogers	Dec. '92	1.78	0.51	1.40
11	10	Carl's Jr.	Jan. '93	1.65	1.66	1.61
12	11	Sonic Drive-In	Aug. '92	1.56	1.41	1.28
13	12	Whataburger	Sept. '93	0.86	0.87	0.87
14	13	White Castle	Dec. '92	0.79	0.82	0.83
15	15	Rally's	Dec. '92	0.67	0.60	0.52
16	14	Del Taco	Dec. '92	0.62	0.61	0.58
17	16	Krystal	Dec. '92	0.57	0.57	0.57
TOTAL:				100.00%	100.00%	100.00%

*Projected
Source: NRN Research

SANDWICH CHAINS RANKED BY SALES PER UNIT						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	McDonald's	Dec. '92	\$1,665.0	\$1,658.0	\$1,649.0
2	2	White Castle	Dec. '92	1,296.0	1,283.0	1,166.0
3	4	Hardee's	Dec. '92	1,100.0	1,032.0	1,000.0
4	3	Carl's Jr.	Jan. '93	1,090.0	1,103.8	1,114.2
5	6	Roy Rogers	Dec. '92	1,080.0	975.0	1,060.0
6	5	Jack in the Box	Sept. '92	1,040.0	1,020.0	1,020.0
7	7	Burger King	Sept. '92	988.0	971.0	983.0
8	8	Krystal	Dec. '92	898.0	887.0	837.0
9	11	Taco Bell	Dec. '92	873.0	814.0	771.0
10	9	Del Taco	Dec. '92	865.0	860.0	840.0
11	10	Wendy's	Jan. '93	858.0	852.0	811.0
12	12	Rally's	Dec. '92	850.0	801.0	852.0
13	13	Whataburger	Sept. '93	701.5	698.3	700.2
14	14	Arby's	Dec. '92	688.0	680.0	675.0
15	15	Sonic Drive-In	Aug. '92	520.0	481.0	446.0
16	16	Dairy Queen	Nov. '92	440.0	435.0	430.0
17	17	Subway	Dec. '92	260.0	225.0	217.0
AVERAGE:				\$ 894.9	\$ 869.2	\$ 857.1

*Projected
Source: NRN Research

Sandwich giants wage customer-service war

(Continued from page 90)
could only push prices for so long," Ley says. "Now you just look around our own market here in Louisville, and you see people raising prices, in fact. The battlefield keeps changing."

The segment's second-largest player, Burger King, currently is striving to put restaurants in closer proximity to its customers.

With the launch of its Expressway concepts — a plan to expand through double-drive-throughs, kiosks and in-line strip center units — BK is looking to develop restaurants at lower costs in higher traffic locales.

Sid Feltenstein, vice president of brand strategy for Burger King, views the ability to locate stores where the chain's customers demand them as a key component of customer service.

"We want to put a Burger King wherever our customers work, shop and play," Feltenstein explains. "What can be more customer-service-oriented than that? That's why we are so excited about Expressway. It will give us the chance to match site opportunities with the right restaurant vehicle and really help us optimize our unit investment costs."

Beyond putting restaurants closer to his customers, Feltenstein points out,

BK has long been using a toll-free phone number that patrons can call to comment about their experiences at the chain. He says most people would be surprised to know that most of the calls bring overwhelmingly positive comments.

More than a year ago, BK began offering limited table service at 900 company restaurants, a program that remains in effect.

"When you even look at our current advertising theme, 'Your way, right away,' that is the essence of customer service," Feltenstein adds. "I think we set our own service standards long before everyone else started it."

Cliff Hudson, vice president of development for the 1,200-unit drive-in

burger chain Sonic, concurs that customer service is taking on new importance as a result of many companies' having exhausted other marketing options.

“After menu diversification and driving prices down for years, what else is left to make a marketable point of difference except service?”
— Cliff Hudson

"After menu diversification and driving prices down for years, what else is left to make a marketable point of difference except service?" Hudson asks. "But I think we are different in that we never got in the discount wars in the first place, and we stayed focused on service."

"One thing about selling tacos at 39 cents is that it sends a message to consumers that that's about all they are worth. So customers get

used to these low prices, and what happens when the day comes that you have to raise them?"

About a year ago Sonic added a personable table-service touch to its service style. Besides being required to issue a heartfelt "hello" to customers, servers were instructed to return to their patrons' vehicles to inquire about the food quality and the diners' possible desire for salt, pepper or anything else.

Sonic's servers return a final time to thank the patrons for their business.

"This is a level of service you just can't get among the other fast feeders," Hudson says.

Executives for Taco Bell, the PepsiCo subsidiary that is both blamed and applauded for triggering the price war, have said in the past that the company does not envision the need to raise prices until the mid-1990s. Although Taco Bell's executives lately have been reticent about their views on customer service, the chain has long claimed that its high-tech kitchen technology — which reduces labor and food costs — permits the allocation of more manpower to the service counter.

Segment-leader McDonald's is gearing up to be the most aggressive in touting customer service.

On July 10 McDonald's unveiled its satisfaction guarantee, an old policy (See SANDWICH, page 118)

SANDWICH CHAINS RANKED BY NUMBER OF U.S. UNITS						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	McDonald's	Dec. '92	9,051	8,764	8,472
2	2	Subway	Dec. '92	7,000	5,853	4,870
3	3	Burger King	Sept. '92	5,675	5,655	5,427
4	4	Dairy Queen	Nov. '92	4,665	4,630	4,620
5	7	Taco Bell	Dec. '92	3,908	3,616	3,227
6	6	Wendy's	Jan. '93	3,832	3,804	3,727
7	5	Hardee's	Dec. '92	3,750	4,240	4,022
8	8	Arby's	Dec. '92	2,513	2,382	2,301
9	9	Sonic Drive-In	Aug. '92	1,196	1,112	1,043
10	10	Jack in the Box	Sept. '92	1,145	1,089	1,035
11	17	Roy Rogers	Dec. '92	784	219	648
12	11	Carl's Jr.	Jan. '93	627	610	573
13	12	Whataburger	Sept. '93	480	475	475
14	13	Rally's	Dec. '92	450	332	257
15	14	Del Taco	Dec. '92	286	277	274
16	16	Krystal	Dec. '92	270	247	235
17	15	White Castle	Dec. '92	267	257	249
TOTAL:				45,899	43,562	41,455

*Projected
Source: NRN Research

SANDWICH CHAINS RANKED BY GROWTH IN NUMBER OF U.S. UNITS (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	17	Roy Rogers	Dec. '92	257.99	-66.20
2	1	Rally's	Dec. '92	35.54	29.18
3	2	Subway	Dec. '92	19.60	20.18
4	8	Krystal	Dec. '92	9.31	5.11
5	3	Taco Bell	Dec. '92	8.08	12.05
6	4	Sonic Drive-In	Aug. '92	7.55	6.62
7	10	Arby's	Dec. '92	5.50	3.52
8	7	Jack in the Box	Sept. '92	5.14	5.22
9	12	White Castle	Dec. '92	3.89	3.21
10	11	McDonald's	Dec. '92	3.27	3.45
11	14	Del Taco	Dec. '92	3.25	1.09
12	5	Carl's Jr.	Jan. '93	2.79	6.46
13	16	Whataburger	Sept. '93	1.05	0.00
14	15	Dairy Queen	Nov. '92	0.76	0.22
15	13	Wendy's	Jan. '93	0.74	2.07
16	9	Burger King	Sept. '92	0.35	4.20
17	6	Hardee's	Dec. '92	-11.56	5.42
AVERAGE:				7.1	6.8

*Projected
Note: The average percentage-change figure excludes Roy Rogers and Hardee's.
Roy Rogers' projected growth would result from the chain's large-scale reconversion from its sister brand, Hardee's.
Source: NRN Research

NRN TOP 100

CHICKEN CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	KFC	Dec. '92	\$3,600.0	\$3,400.0	\$3,200.0
2	2	Popeyes Chicken	Dec. '92	540.0	536.0	520.0
3	3	Church's Fried Chicken	Dec. '92	430.0	439.0	461.0
4	4	Chick-fil-A	Dec. '92	350.0	324.6	293.7
TOTAL:				\$4,920.0	\$4,699.6	\$4,474.7

*Projected
Source: NRN Research

CHICKEN CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH
(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Chick-fil-A	Dec. '92	7.84	10.50
2	2	KFC	Dec. '92	5.88	6.25
3	3	Popeyes Chicken	Dec. '92	0.75	3.08
4	4	Church's Fried Chicken	Dec. '92	-2.05	-4.77
AVERAGE:				3.11	3.76

*Projected
Source: NRN Research

Chicken chains fight to rule the roost

Top four chains take flight on fried chicken's renewed popularity without losing their wings to non-frying regional operations or beefy competitors

by Peter O. Keegan

While the public renews its interest in fried chicken, major players in the chicken segment are hawking new products, polishing brand awareness and realigning operations to grid for escalating competition.

Although KFC, Popeyes and Church's posted first-quarter gains that signaled a rebound in their sales and profits, a slew of non-frying regional operators have been getting all the attention with takeout offerings, healthful side dishes and catchy names.

Gains by Chick-fil-A and the other big chains appear to bode well for them in the short term although it is not entirely clear whether recent upticks reflect sales to customers lured by price promotions or to recession-weary consumers seeking comfort food or to a new generation of teens craving the taste of fried chicken.

According to the National Restaurant Association, fried chicken is enjoying a newfound popularity. Of all poultry orders in 1991, 52 percent were for fried chicken, up from a 48-percent share in 1988. The study also found that chicken restaurants increasingly were using special deal promotions to lure customers, with such transactions jumping 10 percentage points from 1989 to 1991.

A new and potent player in the chicken coop, the Hardee's burger chain, has become a bone of contention to the big four chicken brands. Exploiting a specialty of its sister chain, Hardee's has installed Roy Rogers' chicken in all of its 3,289 units and is beginning to promote the product heavily.

"Hardee's has been a big nuisance to us in many markets," says one KFC franchisee. "It has enormous advertising clout in local markets in the South and Midwest." KFC has shot back with such



KFC, the undisputed leader of the pack, had an impressive first quarter.

their recent convention. "They have people down there [at KFC's headquarters] with one mission: blunt Hardee's."

Meanwhile, McDonald's is testing fried chicken, Taco Bell is finding success with chicken fajitas, while supermarkets, delis and regional chains are offering chicken-topped salads and grilled and rotisserie options. For their part, the mainstream chicken chains are trying to fend off the new competition with revised tactics.

Yet insiders believe that as the larger chains regroup and gear up with new products, the smaller niche-oriented chains will either fail or consolidate to defuse the marketing might and buying power of the majors.

KFC, the undisputed leader of the pack, had an impressive first quarter and is about to release favorable second-quarter results. The chain, which has been gobbling up franchisees, is now 40-percent company owned and is showing improved profits.

Recently, KFC cut 250 jobs from its staff, giving the operational balance sheet a shot in the arm.

The chain has won kudos this year for its "Lake Edna" television spots as well as for improved cleanliness and aggressive price promotions. But some of KFC's new products, such as Oriental Wings and Honey BBQ chicken, have been cannibalizing sales of Original Recipe and Extra Tasty Crispy. Stores are barely seeing incremental sales increases with the products, and profitability on a store-level basis continues to be flat or declining.

Among KFC's most intriguing exploits this year is the chain's successful test of a value-priced all-you-can-eat (See CHICKEN, page 102)

CHICKEN CHAINS RANKED BY TOP 100 MARKET SHARE
(share of aggregate sales of chicken chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	KFC	Dec. '92	73.17	72.35	71.51
2	2	Popeyes Chicken	Dec. '92	10.98	11.41	11.62
3	3	Church's Fried Chicken	Dec. '92	8.74	9.34	10.30
4	4	Chick-fil-A	Dec. '92	7.11	6.91	6.56
TOTAL:				100.00	100.00	100.00

*Projected
Source: NRN Research

advertising tag lines as "Who do they think they're fooling? There's only one chicken expert!" and a spot featuring a cow with a chicken's face superimposed on it.

"If Hardee's is successful in chicken, KFC is going to have some serious problems," Bob Autry, the president of Hardee's, told the chain's franchisees at

NRN TOP 100

CHICKEN CHAINS RANKED BY SALES PER UNIT						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	2	Popeyes Chicken	Dec. '92	\$700.0	\$673.0	\$720.0
2	1	Chick-fil-A	Dec. '92	688.0	687.0	681.0
3	3	KFC	Dec. '92	671.0	669.0	649.0
4	4	Church's Fried Chicken	Dec. '92	445.6	425.0	420.0
AVERAGE:				\$2,504.6	\$2,454.0	\$2,470.0
*Projected Source: NRN Research						

CHICKEN CHAINS RANKED BY NUMBER OF U.S. UNITS						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	KFC	Dec. '92	5,116	5,056	5,006
2	2	Church's Fried Chicken	Dec. '92	1,021	1,042	1,059
3	3	Popeyes Chicken	Dec. '92	825	808	778
4	4	Chick-fil-A	Dec. '92	485	460	441
TOTAL:				7,447	7,366	7,284
*Projected Source: NRN Research						

Chicken chains fight to rule the roost

(Continued from page 98)
buffet in Arkansas restaurants. Company units have joined three area franchisees in test-marketing a \$3.99 all-you-can-eat lunch and a \$4.99 dinner, backed by statewide television advertising.

The food bars, geared toward Southern customers, feature 30 items, including Original Recipe and Extra Crispy Chicken, chicken-fried steak, livers and gizzards, green beans, niblet corn, hominy, pudding and fruit cobblers.

Back on the non-fried track after scrapping its Monterey Broil test nine months ago, KFC firmly intends to roll a grilled, baked or broiled product into stores as soon as possible.

According to insiders, KFC is considering four options, including the skinless Colonel's Country Grill, which was launched in May in Canada and could be expanded into U.S. test markets; a baked product now in test; a rotisserie item currently being tested in company kitchens; and a chicken fajita product that also is in test.

Many experts believe that rotisserie will be the chosen option, especially when one considers spit roasting's renewed popularity and labor-efficient preparation method. A KFC rotisserie product could overpower the rotisserie competition because of the giant chain's pricing and marketing muscle. The item also could be the non-fried product needed to boost incremental sales.

Moreover, a spit-roasters would be the easiest of the cooking options to retrofit into existing units. The company has indicated that grills take up too much space in KFC's tight kitchen configurations.

Home delivery has been working well on a market-by-market basis, and KFC officials are still studying it. "I think they could rejuvenate sales in the short term by adding home delivery to existing locations," says Bob Cummins, an analyst with Wertheim Schroder.

The Popeyes and Church's chains, meanwhile, are both hoping that the protracted battle between Al Copeland and Merrill Lynch & Co. and a group led by the Canadian Imperial Bank of Com-

merce may all be over soon.

Al Copeland Enterprises, franchisor of the Popeyes and Church's chains, has survived through the 16 months since the company was forced into bankruptcy protection by creditors.

With creditors and the banks on its side, the Canadian Imperial Bank of Commerce group has submitted a plan that would oust Copeland, replacing him with a hand-picked team headed by former Arby's president Frank Belatti and other ex-Arby's executives.

Belatti has not revealed specific plans for the chains, but he says he is studying the chicken segment and is working seven days a week on plans to revitalize Popeyes and Church's. He notes that the chains will weed out dead wood at their headquarters and concentrate on franchisees, giving them a stronger voice into the way the systems will be run.

Chick-fil-A, though starting from a smaller base than those of the other poultry players in the Top 100, enjoys the fastest projected growth in system-wide sales and unit expansion this year.

"The economy and business have been slow, but we're trying to stay competitive by promoting," remarks Don Perry, Chick-fil-A's public-relations manager. "We're taking an aggressive leadership role in nutrition with our new Grilled'n Lites product."

With locations primarily in malls, the Atlanta-based company has not been hurt by the economy's declining retail sales, but it is countering with menu variety to attract customers. The 98-calorie Grilled'n Lites skewered chicken product, priced at two for \$1.95, reflects Chick-fil-A's ongoing concern with nutritional appeal.

"We are also expanding our catering business," Perry points out. "We are telling our operators to look for business outside of the counter and to be more aggressive in catering."

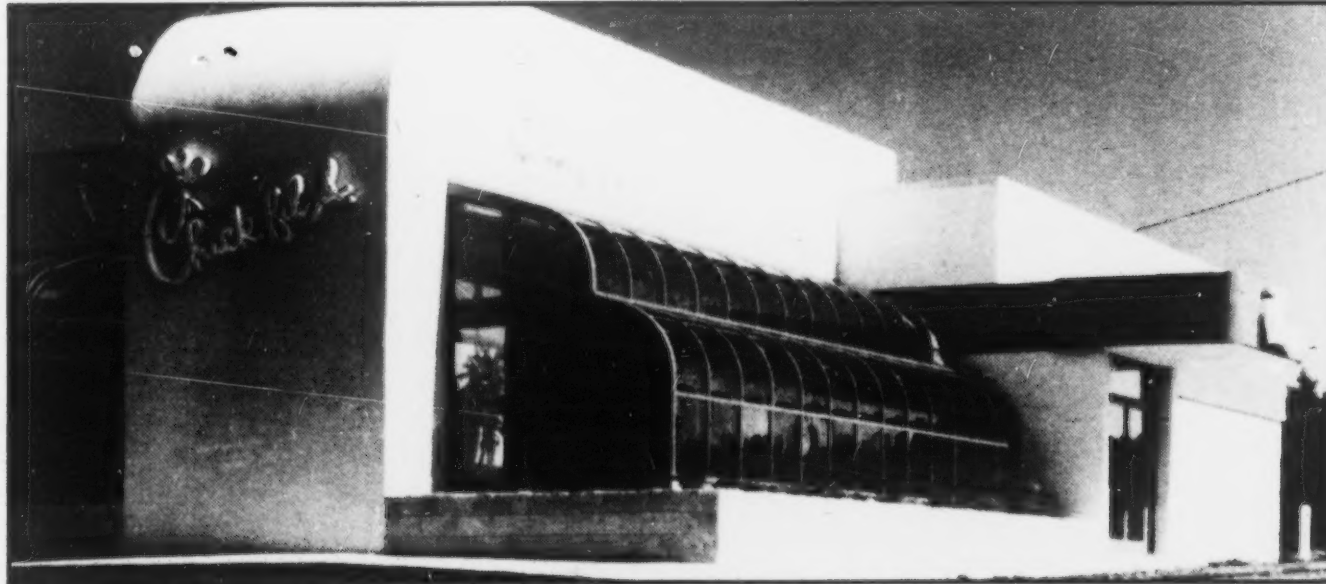
Chick-fil-A is also seeking growth through college campus operations, such as its successful Georgia Tech outlet, and is targeting freestanding Chick-fil-A units while expanding its full-service Dwarf House chain concept.



Al Copeland

Al Copeland Enterprises, franchisor of the Popeyes and Church's chains, has survived through the 16 months since the company was forced into bankruptcy protection by creditors.

CHICKEN CHAINS RANKED BY GROWTH IN NUMBER OF U.S. UNITS (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Chick-fil-A	Dec. '92	5.43	4.31
2	2	Popeyes Chicken	Dec. '92	2.10	3.86
3	3	KFC	Dec. '92	1.19	1.00
4	4	Church's Fried Chicken	Dec. '92	-2.02	-1.61
AVERAGE:				1.68	1.89
*Projected Source: NRN Research					



The Atlanta-based Chick-fil-A chain is enjoying the fastest projected growth in systemwide sales and unit expansion this year.

NRN TOP 100

CONTRACT CHAINS RANKED BY U.S. SYSTEMWIDE SALES						
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Marriott Management Services	Dec. '92	\$ 2,500.0	\$ 2,399.0	\$ 2,340.0
2	2	ARA Services/ARASERVE	Sept. '92	1,900.0	1,800.0	1,680.8
3	3	Canteen Corp.	Dec. '92	1,430.0	1,460.0	1,490.0
4	4	Service America Corp.	Mar. '93	919.8	892.5	1,000.5
5	5	Host International	Dec. '92	770.0	667.0	642.0
6	6	Morrison Custom Management	June '93	680.0	618.0	556.0
7	7	Caterair International	Dec. '92	615.0	609.0	641.0
8	8	Sky Chefs	Dec. '92	481.0	467.0	453.0
9	9	Seller Corp.	Aug. '92	411.6	403.5	390.0
10	10	ARA Leisure Services	Sept. '92	396.8	396.0	380.0
11	11	Dobbs International	Dec. '92	346.1	317.5	301.0
12	12	ServiceMaster Food Mgmt. Servs.	Dec. '92	277.1	269.0	239.0
13	13	Ogden Allied Ent. Servs.	Dec. '92	255.0	250.0	244.5
14	15	The Wood Co.	Dec. '92	251.0	224.0	198.0
15	16	Restaura Inc.	Dec. '92	226.0	213.0	230.0
16	17	Gardner Merchant Food Services	Feb. '93	206.0	182.0	176.0
17	14	Dobbs Houses	Dec. '92	200.0	231.0	220.0
TOTAL:				\$11,865.4	\$11,398.5	\$11,181.8

*Projected
Source: NRN Research

CONTRACT CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH (Year-to-year percentage change)					
1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	8	Host International	Dec. '92	15.44	3.89
2	10	Gardner Merchant Food Services	Feb. '93	13.19	3.41
3	1	The Wood Co.	Dec. '92	12.05	13.13
4	3	Morrison Custom Management	June '93	10.03	11.15
5	5	Dobbs International	Dec. '92	9.01	5.48
6	16	Restaura Inc.	Dec. '92	6.10	- 7.39
7	4	ARA Services/ARASERVE	Sept. '92	5.56	7.09
8	12	Marriott Management Services	Dec. '92	4.21	2.52
9	17	Service America Corp.	Mar. '93	3.06	- 10.80
10	2	ServiceMaster Food Management Services	Dec. '92	3.01	12.55
11	11	Sky Chefs	Dec. '92	3.00	3.09
12	9	Seller Corp.	Aug. '92	2.01	3.46
13	13	Ogden Allied Entertainment Services	Dec. '92	2.00	2.25
14	15	Caterair International	Dec. '92	0.99	- 4.99
15	7	ARA Leisure Services	Sept. '92	0.20	4.21
16	14	Canteen Corp.	Dec. '92	- 2.05	- 2.01
17	6	Dobbs Houses	Dec. '92	- 13.42	5.00
AVERAGE:				4.38	3.06

*Projected
Source: NRN Research

B & I feeders test new waters for growth

Leading contract operators are turning to new markets — such as sports feeding and health care — to offset business-account slump in a tough economy

by Robin Lee Allen

As the economy continues to suppress growth in the business-and-industry segment, many of the contract feeders in the Top 100 are diversifying into areas that are more stable and economically rewarding.

During the past year those companies have actively cultivated their recreational services and health-care markets and aggressively pursued traditionally self-operated educational and correctional accounts.

Such maneuvers have helped the contract giants reduce the risks of dependency on any one market and have helped them offset revenue dips caused by the economic downsizing of beleaguered B & I clients.

"We've redirected our emphasis, not away from B & I, but in addition to" that field, explains Chuck Bryden, Canteen Corp.'s vice president of sales and marketing. "B & I is our core business, but we're concentrating equally on these other markets where we have not been the leader."

Officials at the Spartanburg, S.C.-based feeder decided to target the corrections, education and life-care segments in late 1991 because they are largely self-operated and present tremendous opportunities for growth, Bryden notes.

Accelerating that growth potential are government budget cuts, which have depleted funds that once fueled the food services in those segments and kept them independently operated, Bryden adds.

Service America also expanded its business focus when the crawling economy began changing the rules of the B & I game.

"Our base business is still B&I," remarks Tighe Merkert, the company's corporate vice president of marketing. "But some clients wanted us to go to P & L's [profit-and-loss operations], and we weren't willing to take the downside risk."

Instead, the Stamford, Conn.-based company pared itself of such non-fee accounts and developed other lines of business, like vending and recreation services.

To beef up vending operations — which also have suffered as B & I clients have cut their staffs — Service America

has employed new marketing techniques to introduce a variety of new products from brand-name suppliers, Merkert says.

And through new accounts as well as the recent acquisition of Lundy's Sports Catering and New Vista Services Inc., the Service America's recreational services



Service America moved into mobile catering for temporary sports events with its purchase of Lundy's.

group has boosted sales to \$125 million annually, Merkert says.

In buying Lundy's, Service America made an unprecedented foray into mobile catering for temporary sports events. Previously, mobile catering was left to independent owners because it is difficult to manage and monitor.

"My philosophy is to expand the line of business," Gary Horvath, senior vice president of the recreation services group, said at the time of the purchase. "It's an area of growth and more profitable than other lines of business."

This profitability comes from high-volume, long-term leases, a devoted audience and the potential for unanticipated income in the event of championship series. With so many benefits, several companies are clamoring after sports business.

"There's a lot of money to be had in sports," says Matthew D. Bauer, media (See *CONTRACT*, page 107)

NRN TOP 100

CONTRACT CHAINS RANKED BY TOP 100 MARKET SHARE

(share of aggregate sale of contract chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share Current*	Last Full	Prior
1	1	Marriott Management Services	Dec. '92	21.07%	21.05%	20.93%
2	2	ARA Services/ARASERVE	Sept. '92	16.01	15.79	15.03
3	3	Canteen Corp.	Dec. '92	12.05	12.81	13.33
4	4	Service America Corp.	Mar. '93	7.75	7.83	8.95
5	5	Host International	Dec. '92	6.49	5.85	5.74
6	6	Morrison Custom Management	June '93	5.73	5.42	4.97
7	7	Caterair International	Dec. '92	5.18	5.34	5.73
8	8	Sky Chefs	Dec. '92	4.05	4.10	4.05
9	9	Seller Corp.	Aug. '92	3.47	3.54	3.49
10	10	ARA Leisure Services	Sept. '92	3.34	3.47	3.40
11	11	Dobbs International	Dec. '92	2.92	2.79	2.69
12	12	ServiceMaster Food Mgmt. Servs.	Dec. '92	2.34	2.36	2.14
13	13	Ogden Allied Entertainment Services	Dec. '92	2.15	2.19	2.19
14	15	The Wood Co.	Dec. '92	2.12	1.97	1.77
15	16	Restaura Inc.	Dec. '92	1.90	1.87	2.06
16	17	Gardner Merchant Food Services	Feb. '93	1.74	1.60	1.57
17	14	Dobbs Houses	Dec. '92	1.69	2.03	1.97
TOTAL:				100.00%	100.00%	100.00%

*Projected
Source: NRN Research

CONTRACT CHAINS RANKED BY SALES PER UNIT

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current*	Last Full	Prior
1	1	Caterair International	Dec. '92	\$9,200.0	\$9,100.0	\$8,400.0
2	2	Dobbs International	Dec. '92	6,344.0	6,100.0	5,880.0
3	3	ARA Leisure Services	Sept. '92	2,650.0	2,600.0	2,500.0
4	4	Ogden Allied Ent. Servs.	Dec. '92	2,346.0	2,300.0	2,400.0
5	5	Sky Chefs	Dec. '92	1,300.0	1,300.0	1,300.0
6	6	Marriott Management Services	Dec. '92	1,054.0	1,046.0	1,063.0
7	7	Seller Corp.	Aug. '92	1,050.0	1,010.0	975.0
8	8	Host International	Dec. '92	1,000.0	997.0	992.0
9	9	ServiceMaster Food Mgmt. Servs.	Dec. '92	993.2	964.3	902.0
10	10	The Wood Co.	Dec. '92	790.0	752.4	684.5
11	13	Morrison Custom Management	June '93	763.0	707.0	699.0
12	11	Service America Corp.	Mar. '93	747.7	733.0	632.0
13	12	Canteen Corp.	Dec. '92	744.6	730.0	835.0
14	14	Restaura Inc.	Dec. '92	664.5	650.0	628.3
15	15	ARA Services/ARASERVE	Sept. '92	650.9	649.0	646.5
16	16	Dobbs Houses	Dec. '92	548.6	577.5	579.0
17	17	Gardner Merchant Food Services	Feb. '93	322.9	309.3	306.1
AVERAGE:				\$1,833.5	\$1,795.6	\$1,730.7

*Projected
Source: NRN Research

Contract feeders test new waters for growth

(Continued from page 106)

manager for Buffalo, N.Y.-based Delaware North Cos., which owns Sportservice.

While Delaware North's other food-service subsidiary, in-flight caterer ConcessionAir, is still reeling from a recessionary hangover induced by the Persian Gulf War, Sportservice has added 10 new accounts to its portfolio.

During the past year ARA Services Inc. captured the business at the Baltimore Orioles new ball park, Oriole Park. The Philadelphia-based company also recently announced it had signed a 17-year agreement to provide foodservice at Coors Field in Denver, where major league baseball's new Colorado Rockies eventually will play.

Health care has also been a boon for contract feeders.

With more than 50 percent of its business coming from health-care accounts, Morrison's Custom Management has been immune to the ill effects of the economy.

During the past year company revenues have grown 20 percent, to nearly \$425 million, and profits are up 18 percent, says John Pryor, senior vice president of marketing and corporate services.

He attributes such seemingly anomalous results to the company's strong grasp on the acute-care hospital segment. In addition, nearly 25 percent of the company's accounts are educational, forcing Morrison's to rely on B & I accounts for only 25 percent of its business.

To continue its upward trend, the company moved heavily into branding during the past year and emphasized its customer focus with an employee empowerment program based on customer and client evaluations in eight key areas. Morrison also invested heavily in its training programs to help managers improve those results.

Looking to bolster its presence in the lucrative health-care market, the Wood Co. earlier this year created a Hospital Food and Nutrition Services Division to hone in on the 100- to 400-bed hospital market in the Mid-Atlantic states.

In creating the division, the Allentown, Pa.-based company also freed its health-care division to pursue the rapidly growing long-term hospital, nursing-home and retirement community markets.

The Wood Co.'s new operation now has 18 hospital clients and expects to add three or four new contracts annually, explains Mitch Possinger, the division's vice president. Its primary competitors are ARA, Marriott Corp. and Morrison.

"Our feeling is there's room in the market for us," Possinger said when the division was formed. "We position ourselves as a \$250 million-per-year company, so we are large enough to bring support to hospitals, but with only four levels of management between managers and the president, we are more personal."

Gardner Merchant Food Services Inc. moved into both the health-care and educational arenas during the past year as

CONTRACT CHAINS RANKED BY GROWTH IN NUMBER OF U.S. UNITS

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91*	'91 vs. '90
1	8	Marriott Management Services	Dec. '92	30.87	4.68
2	6	The Wood Co.	Dec. '92	8.20	5.17
3	9	Gardner Merchant Food Services	Feb. '93	6.69	4.00
4	1	Morrison Custom Management	June '93	6.58	12.21
5	3	Host International	Dec. '92	5.00	7.14
6	17	Service America Corp.	Mar. '93	4.55	- 8.33
7	5	ServiceMaster Food Management Services	Dec. '92	2.86	5.66
8	12	Sky Chefs	Dec. '92	2.78	2.86
9	14	Dobbs International	Dec. '92	1.92	0.00
10	4	Ogden Allied Entertainment Services	Dec. '92	1.85	5.88
11	7	Restaura Inc.	Dec. '92	1.25	4.71
12	10	ARA Services/ARASERVE	Sept. '92	0.96	3.85
13	11	ARA Leisure Services	Sept. '92	0.00	3.45
14	13	Caterair International	Dec. '92	0.00	2.22
15	2	Dobbs Houses	Dec. '92	0.00	12.00
16	15	Seller Corp.	Aug. '92	0.00	0.00
17	16	Canteen Corp.	Dec. '92	- 3.00	- 2.86
AVERAGE:				4.15	3.69

*Projected
Source: NRN Research

well. The Trumbull, Conn.-based company now has about a dozen accounts in each segment, notes Edward G. Leonard, the company's operations vice president.

"To be able to get into new markets has been a plus," Leonard points out, noting that while the company has retained its current B & I accounts, growth in new ones has slowed.

Phoenix-based Restaura Inc. is also expanding from the business-and-industry field into new markets.

"We're going to diversify," says Joseph K. Fassler, the company's president. "It's in our planning cycle right now. The workplace niche is very stagnant."

The company will focus on colleges to capitalize on the number of people who, unable to find jobs, are returning to school as well as on retirement facilities to capitalize on the growing ranks of seniors, Fassler observes.

In addition to diversifying their businesses, many companies increasing their emphases on culinary creativity.

Chefs at Marriott Corp.'s Marriott Management Services who were once bound to follow recipe cards and operations manuals are now encouraged to show off their cooking prowess, according to Charles "Chuck" O'Dell, the company's president.

"Today we provide strong resources, but we know we can't deliver the kind of quality our clients and customers expect by dictating from above," he says. "We give our people the power to run their

businesses and deliver great-quality food."

Company chefs have formed local guilds nationwide to share food development ideas, O'Dell adds.

Branding also continued to play a big role in contract operations during the past year. At Marriott Corp.'s Host International division, it was largely responsible for maintaining business at the company's airport operations. Burger King, Pizza Hut and Taco Bell outlets are among those that now punctuate Host's air-terminal lineup.

"It's one of our main focuses," says Richard L. Sneed, Host's director of public relations. "We've concentrated our efforts there because branding keeps sales growth equal to or above last year's."

Turbulence in the airline industry caused by the recession and bankruptcies greatly affected airport foodservice operators and in-flight caterers during the past year.

"Every year has a different set of problems," says William C. Rolle, spokesman for Potomac, Md.-based Caterair International. "Last year it was the war, and this year some of the airlines are folding."

Aggressive international expansion by domestic airlines remains a saving grace for both the airlines and the flight caterers. The recent airline discount wars have also helped airline feeders, who are serving more fare to fuller flights, Rolle explains.

CONTRACT CHAINS RANKED BY NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current*	Last Full	Prior
1	2	Marriott Management Services	Dec. '92	3,014	2,303	2,200
2	1	ARA Services/ARASERVE	Sept. '92	2,726	2,700	2,600
3	3	Canteen Corp.	Dec. '92	1,649	1,700	1,750
4	4	Service America Corp.	Mar. '93	1,150	1,100	1,200
5	5	Morrison Custom Management	June '93	891	836	745
6	6	Gardner Merchant Food Servs.	Feb. '93	638	598	575
7	7	Restaura Inc.	Dec. '92	405	400	382
8	8	Seller Corp.	Aug. '92	400	400	400
9	9	The Wood Co.	Dec. '92	330	305	290
10	10	ServiceMaster Food Mgmt. Servs.	Dec. '92	288	280	265
11	11	ARA Leisure Services	Sept. '92	150	150	145
12	12	Ogden Allied Ent. Servs.	Dec. '92	110	108	102
13	13	Host International	Dec. '92	63	60	56
14	14	Dobbs International	Dec. '92	53	52	52
15	15	Caterair International	Dec. '92	46	46	45
16	16	Sky Chefs	Dec. '92	37	36	35
17	17	Dobbs Houses	Dec. '92	28	28	25
TOTAL:				11,978	11,102	10,867

*Projected
Source: NRN Research

NRN TOP 100

HOTEL CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Foodservice Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Marriott Hotels & Resorts	Dec. '92	\$1,240.0	\$1,194.0	\$1,146.0
2	2	Hilton Hotels	Dec. '92	1,124.0	1,122.0	1,094.0
3	3	Sheraton Hotels	Dec. '92	1,031.9	1,017.9	1,095.1
4	4	Holiday Inns	Oct. '92	620.2	579.6	573.9
5	6	Radisson Hotels	Dec. '92	420.0	400.0	350.0
6	5	Hyatt Hotels	Jan. '93	408.0	407.0	381.9
7	7	Ramada Inn	Dec. '92	392.0	380.0	335.1
8	8	Westin Hotels	Dec. '92	331.0	307.0	288.5
TOTAL:				\$5,567.1	\$5,407.5	\$5,264.5

*Projected
Source: NRN Research

HOTEL CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH (Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	4	Westin Hotels	Dec. '92	7.82	6.41
2	7	Holiday Inns	Oct. '92	7.00	0.99
3	1	Radisson Hotels	Dec. '92	5.00	14.29
4	5	Marriott Hotels & Resorts	Dec. '92	3.85	4.19
5	2	Ramada Inn	Dec. '92	3.16	13.40
6	8	Sheraton Hotels	Dec. '92	1.38	- 7.05
7	3	Hyatt Hotels	Jan. '93	0.25	6.57
8	6	Hilton Hotels	Dec. '92	0.18	2.56
AVERAGE:				3.58	5.17

*Projected
Source: NRN Research

Soft market plagues hotel foodservice

Despite slight forecasted gains, the nation's top hotel chains continue to suffer from the weak economy as consumers seek more bang for their dining bucks

by Ron Ruggless

After suffering miserable traffic in 1990 and 1991, foodservice in the nation's lodging industry shows signs of braking a slide, though growth remains soft and cost-cutting continues.

"Business is flat to soft," says Sean Handerman, director of food and beverage marketing for Marriott Hotels, Resorts & Suites. "We don't see any indications that things are improving greatly or any indications that they are getting worse. We seem to have hit the bottom of the trough."

The eight hotel chains ranked in Nation's Restaurant News Top 100 study are projected to score barely a 3-percent rate of growth in foodservice

sales this year, after posting a 2.7-percent gain in 1991.

This year's growth figure lags behind prevailing rates of inflation and compares unfavorably with the 4.4-percent jump in all hotel revenues forecast for 1992 by the accounting and consulting firm of Coopers & Lybrand.

Clearly, the segment-leading hotels in the Top 100 are having to battle for dining dollars as recession-dazed customers search for value and migrate toward less-caloric lodging options.

The growing regard for value last year raised demand for limited-service hotels — those with no, or limited, food and beverage services, according to Coopers & Lybrand's Bjorn Hanson.

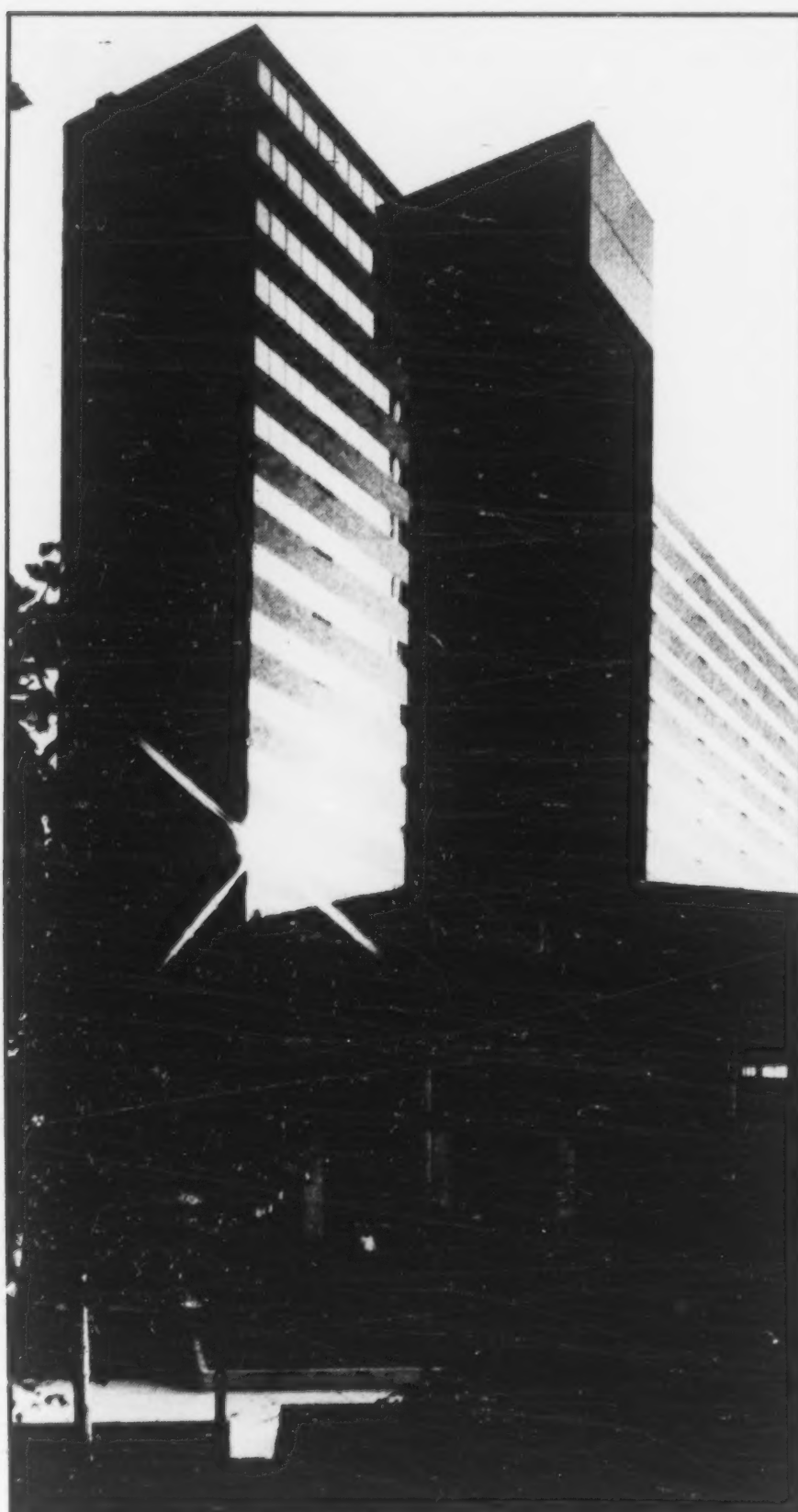
"Upper limited-service hotels are replacing the traditional full-service hotel as the 'core' product of the hotel industry because of lower construction costs and better economics and because their revenue mix favors more profitable rooms over food and beverage," Hanson notes.

"High-quality rooms-only hotels offer consistent, high value at significant savings over more upscale alternatives," Hanson adds. "During an economic downturn these hotels attract more commercial travelers who do not want to pay for the 'image' offered by luxury properties."

Meanwhile, hotel food and beverage divisions continue to search for ways to trim fat from operations that have already undergone several years of budgetary liposuction.

"We're seeing soft growth," says Robert Dallain, vice president of food and beverage for Hyatt Hotels Corp., (See *HOTELS*, page 112)

“During an economic downturn these [high-quality rooms-only] hotels attract more commercial travelers who do not want to pay for the ‘image’ offered by luxury properties.”
— Bjorn Hanson



The Hyatt Regency Hotel is one of the many chains suffering in the soft market.

HOTEL CHAINS RANKED BY TOP 100 MARKET SHARE (share of aggregate sales of hotel chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	Marriott Hotels & Resorts	Dec. '92	22.27%	22.08%	21.77%
2	2	Hilton Hotels	Dec. '92	20.19	20.75	20.78
3	3	Sheraton Hotels	Dec. '92	18.54	18.82	20.80
4	4	Holiday Inns	Oct. '92	11.14	10.72	10.90
5	6	Radisson Hotels	Dec. '92	7.54	7.40	6.65
6	5	Hyatt Hotels	Jan. '93	7.33	7.53	7.25
7	7	Ramada Inn	Dec. '92	7.04	7.03	6.37
8	8	Westin Hotels	Dec. '92	5.95	5.68	5.48
TOTAL:				100.00%	100.00%	100.00%

*Projected
Source: NRN Research

NRN TOP 100

HOTEL CHAINS RANKED BY FOODSERVICE SALES PER HOTEL

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Foodservice Sales Per Hotel (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Westin Hotels	Dec. '92	\$9,457.1	\$9,029.4	\$8,742.4
2	2	Hilton Hotels	Dec. '92	4,250.0	4,100.0	4,075.0
3	3	Hyatt Hotels	Jan. '93	3,960.0	3,812.0	3,673.0
4	5	Sheraton Hotels	Dec. '92	3,428.2	3,522.1	3,750.3
5	4	Marriott Hotels & Resorts	Dec. '92	3,324.0	3,631.0	3,526.0
6	6	Radisson Hotels	Dec. '92	2,333.0	2,350.0	2,270.0
7	7	Ramada Inn	Dec. '92	604.0	633.0	659.0
8	8	Holiday Inns	Oct. '92	396.7	367.3	363.7
		AVERAGE:		\$3,469.1	\$3,430.6	\$3,382.4

*Projected
Source: NRN Research

HOTEL CHAINS RANKED BY NUMBER OF U.S. HOTELS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	year-end Number of Units		
				Current*	Last Full	Prior
1	1	Holiday Inns	Oct. '92	1,658	1,578	1,578
2	2	Ramada Inn	Dec. '92	649	600	508
3	3	Marriott Hotels & Resorts	Dec. '92	433	404	380
4	4	Sheraton Hotels	Dec. '92	301	289	292
5	5	Hilton Hotels	Dec. '92	247	257	262
6	6	Radisson Hotels	Dec. '92	180	170	154
7	7	Hyatt Hotels	Jan. '93	103	106	108
8	8	Westin Hotels	Dec. '92	35	34	33
		TOTAL:		3,606	3,438	3,315

*Projected
Source: NRN Research

HOTEL CHAINS RANKED BY GROWTH IN NUMBER OF U.S. HOTELS
(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Ramada Inn	Dec. '92	8.17	18.11
2	3	Marriott Hotels & Resorts	Dec. '92	7.18	6.32
3	2	Radisson Hotels	Dec. '92	-5.88	10.39
4	5	Holiday Inns	Oct. '92	5.07	0.00
5	6	Sheraton Hotels	Dec. '92	4.15	-1.03
6	4	Westin Hotels	Dec. '92	2.94	3.03
7	7	Hyatt Hotels	Jan. '93	-2.83	-1.85
8	8	Hilton Hotels	Dec. '92	-3.89	-1.91
		AVERAGE:		3.33	4.13

*Projected
Source: NRN Research

Hotel foodservice plagued by soft market

(Continued from page 110)

"but we are also re-evaluating our product."

Dallain says Hyatt has scrutinized "every food item, looking for waste and savings. We've re-evaluated all pricing, including wine and beverages, consequently bringing prices down."

In addition, Hyatt Hotels introduced "Cuisine Naturelle," which Dallain says "is a new way for us to do cooking" and is aimed at attracting health-conscious travelers, especially those on business trips.

"We studied this for more than a year," Dallain explains. "We found the customers are really concerned about diet and careful about calories."

Cuisine Naturelle dishes, offered at all three meals, were tested in Florida properties and rolled out nationally Jan. 15.

The selections make up 30 percent to 35 percent of the menus and include such breakfast items as apple-cinnamon oatmeal and cornmeal pancakes with apple compote. Soups and main courses are also in Hyatt's new health-oriented repertoire.

Dallain says Cuisine Naturelle replaces Hyatt's "Perfect Balance" menu and has seen good demand. "We also saw a decrease in our food and beverage costs," he adds.

First-quarter sales were better than those of the comparable quarter last year, Dallain says, leading him to see "a little bit of light at the end of the tunnel."

To boost summer vacation traveler traffic through the Labor Day weekend, Hyatt is offering two-tiered room rates, one including the morning meal and called "American Bed and Breakfast."

While Dallain says Hyatt has "an air of optimism" about the year ahead, his chief concern is the quality of service offered in the hotel restaurants. "We are especially looking at how we train managers and line employees."

Service is also a primary concern at

Marriott Hotels, Resorts & Suites.

"The last 18 months to two years has allowed us to take a long-term look at our operations," says Marriott's Handerman. "Our smaller properties are already to the bone. They have less fat to cut, but we're looking at labor efficiency."

"We are moving forward to move labor from the back of the house to the front," he remarks. Marriott is trying to effect efficiencies in the kitchen so more labor can tend to customers. "We're becoming more customer-focused," Handerman says.

Labor, he says, is the major variable for hotels after nearly two years of cutting food costs. "We're working hard to find motivated, trainable people who want to work in the industry," he adds. "We're also going to have to do a better job of designing the roles they play, allowing more flexibility that enhances their work experience."

Handerman expects that by 1993 Marriott will have "healthy food, good-for-you" menus at most hotels although the move is one the hotel chain is planning cautiously.

Promotions are also being undertaken cautiously, tending toward more "value-added" campaigns, such as one with Nestlé ice cream.

"When customers buy the ice cream, they get a coupon for kids to eat free at a Marriott restaurant," Handerman explains. "That gives customers a reason to go into a hotel."

Lodging-industry analysts, expecting room demand to grow and supply to remain flat, are optimistic that hotel occupancy rates will rise sharply in the next two years, from 61.9 percent in 1992 to 65.9 percent in 1994, according to a Coopers & Lybrand estimate.

That optimism is shared by the food and beverage divisions of the hotels, too.

"I'm an eternal optimist," remarks Hyatt's Dallain. "I don't believe the old saying of 'As long as change is inevitable, success is not.'"

NRN TOP 100



Left: An artist's rendering of an updated Western Sizzlin unit. Right: Western Steer is embarking on a chainwide renovation plan.



Steak chains strive to strengthen niche

Segment leaders focus on unit updates, grill upgrades and bakery rollouts to spice up tired stores and keep outsiders from invading their market

by Jack Hayes

With the restlessness of a beaver colony, the nation's dominant steak chains are reinforcing their concepts, menus and marketing programs to keep competitors from intruding on a solid market niche.

While some of the chains are experimenting with bakery tests and with brunch and buffet dayparts to broaden their reach and their appeal, others are trying major overhaul tactics to breathe new life into struggling markets and tired stores.

The segment-leading Sizzler chain — the first to diversify from the budget-

ubiquitous casual dining concepts."

"The name is Sizzler," explains Duncan, "but whatever we put under it has to make us feel good. We'll continue with extensive salad bars. Bakeries, though, are not part of our strategy. We tested them in Chicago; they did reasonably well. We just think they take away our focus."

But even if Sizzler isn't excited about bakeries, that hasn't stopped steak-house operators in the South from savoring big traffic and sales increases as their new bakeries continue to be installed.

Raleigh, N.C.-based Golden Corral, with 450 units, is focusing its entire growth on the well-publicized Metro concept, showcasing in-house bakeries and 100-item food bars in 11,000-square-foot restaurants that seat 450 guests.

The move is bolstering average unit volume — from \$1.05 million to \$1.2 million for the Golden Corral chain, whose systemwide sales are projected to reach \$493 million in its current fiscal year. Ultimately, Golden Corral sees itself wedged in a niche between the budget steak-house and the family restaurant segments.

Meanwhile, 150-unit Western Steer, based in Claremont, N.C., is embarking on a chainwide renovation strategy, which includes average spending of \$150,000 per unit.

The focal point of Western Steer's retrofit package — featuring interior canopies and neon with deep green in the color scheme — is an exhibition bakery, according to Jimmy Richardson, the chain's executive operations vice president.

Western Steer is declaring minimum sales gains of 60 percent from the 12 units so far retrofitted, with 40 more branches scheduled for upgrading in 1992. Some of the made-over units are doubling their weekly volumes, Richardson reports.

The chain will end its year with estimated sales of \$151 million, approaching \$1 million per unit.

All the same, Western Steer operators have been struggling severely. The chain had more than 200 units in 1988 but since has shrunk by 25 percent — a fact the company blames on recession and encroaching competition.

Western Steer founder Charles Connor, who remained a franchisee after selling the chain in 1988, said his old units were so unprofitable that he and partner Dent Miller were forced to invent a new concept, Sagebrush Steakhouse & Saloon, to which eight former Western Steers have been converted.

Yet Connor hasn't given up on Western Steer. He is ordering the chain's new retrofit for three of his Western Steers, confident that the food bar and bakery package will improve cover counts and check averages at those stores.

Other chains moving into the bakery (See *STEAK CHAINS*, page 128)

"We're returning our stores to the grill side of the business — developing completely new products to make that the core of our operation."
— J. Hugh Duncan
Sizzler president

steak formula in the early 80s with the introduction of salad bars and the expansion of its grill business — is about to steer onto yet another new course.

"We're returning our stores to the grill side of the business — developing completely new products to make that the core of our operation," says J. Hugh Duncan, president of Sizzler USA, the 635-unit domestic arm of Los Angeles-based Sizzler International Inc.

Duncan hints at possible logo changes, suggesting that Sizzler will stay the dominant name but that new subheadings may be forthcoming. Those monikers would replace the Buffet Court & Grill tag in the wake of Sizzler's decision to de-emphasize its self-service scatter bar and buffet food island format, which created unforeseen problems for the chain in recent years by boosting food and labor costs while shrinking average guest checks.

According to Duncan, Sizzler USA, which will open 10 new units in the new fiscal year, sees itself settling "somewhere between the coffee houses and the

STEAK CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions)		
				Current*	Last Full	Prior
1	1	Sizzler	April '93	\$ 860.0	\$ 850.0	\$ 840.0
2	2	Ponderosa	Feb. '93	747.5	767.3	729.7
3	3	Golden Corral	Dec. '92	493.0	454.7	438.6
4	6	Ryan's Family Steak House	Dec. '92	431.0	355.0	331.0
5	4	Western Sizzlin'	Dec. '92	356.9	381.9	416.3
6	5	Bonanza	Feb. '93	302.4	356.3	401.4
7	7	Quincy's	Dec. '92	290.0	283.3	281.5
TOTAL:				\$3,480.8	\$3,448.5	\$3,438.5

*Projected
Source: NRN Research

STEAK CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH (Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change '92 vs. '91*	
				'92 vs. '91*	'91 vs. '90
1	1	Ryan's Family Steak House	Dec. '92	21.41	7.25
2	3	Golden Corral	Dec. '92	8.42	3.67
3	5	Quincy's	Dec. '92	2.36	0.64
4	4	Sizzler	April '93	1.18	1.19
5	2	Ponderosa	Feb. '93	- 2.58	5.15
6	6	Western Sizzlin'	Dec. '92	- 6.55	- 8.26
7	7	Bonanza	Feb. '93	-15.13	-11.24
AVERAGE:				1.30	- 0.23

*Projected
Source: NRN Research

STEAK CHAINS RANKED BY TOP 100 MARKET SHARE (share of aggregate sales of steak chains in Top 100)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Annual Market Share		
				Current*	Last Full	Prior
1	1	Sizzler	April '93	24.71	24.65	24.43
2	2	Ponderosa	Feb. '93	21.47	22.25	21.22
3	3	Golden Corral	Dec. '92	14.16	13.19	12.76
4	6	Ryan's Family Steak House	Dec. '92	12.38	10.29	9.63
5	4	Western Sizzlin'	Dec. '92	10.25	11.07	12.11
6	5	Bonanza	Feb. '93	8.69	10.33	11.67
7	7	Quincy's	Dec. '92	8.33	8.22	8.19
TOTAL:				100.00	100.00	100.00

*Projected
Source: NRN Research

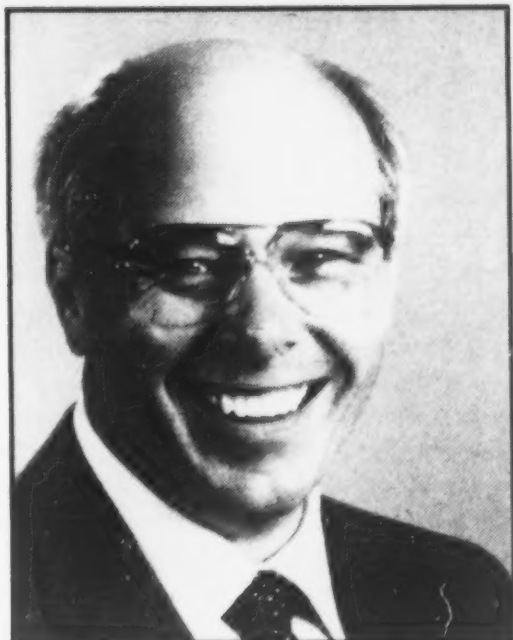
STEAK CHAINS RANKED BY SALES PER UNIT

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands)		
				Current*	Last Full	Prior
1	1	Ryan's Family Steak House	Dec. '92	\$2,200.0	\$2,100.0	\$2,300.0
2	2	Sizzler	April '93	1,550.0	1,540.0	1,600.0
3	3	Quincy's	Dec. '92	1,300.0	1,300.0	1,300.0
4	4	Golden Corral	Dec. '92	1,200.0	1,052.0	947.0
5	5	Ponderosa	Feb. '93	994.0	990.0	986.1
6	6	Western Sizzlin'	Dec. '92	962.0	950.0	942.0
7	7	Bonanza	Feb. '93	960.0	950.0	940.0
AVERAGE:				\$1,309.4	\$1,268.9	\$1,287.9

*Projected
Source: NRN Research

NRN TOP 100

“It's how we're going to be doing business in our restaurants from now on. If you're not satisfied, we'll make it right or your next meal will be free.”



Edward H. Rensi, McDonald's

Sandwich giants wage customer-service war

(Continued from page 95) with new gusto that gives customers a free meal if, for any reason, they are not satisfied about food quality or service level.

McDonald's customer service guarantee policy was unfurled nearly two years after the chain joined the segment's discount battles. Up until then the company avoided the price wars by staying on the sidelines as it watched same-store sales averages soften.

But at its annual share-

holders' meeting this past spring, McDonald's executives, expressing confidence that its value menu combo deals have been well received by consumers, stressed that customer service would be its point of departure from the rest of the segment in the coming years.

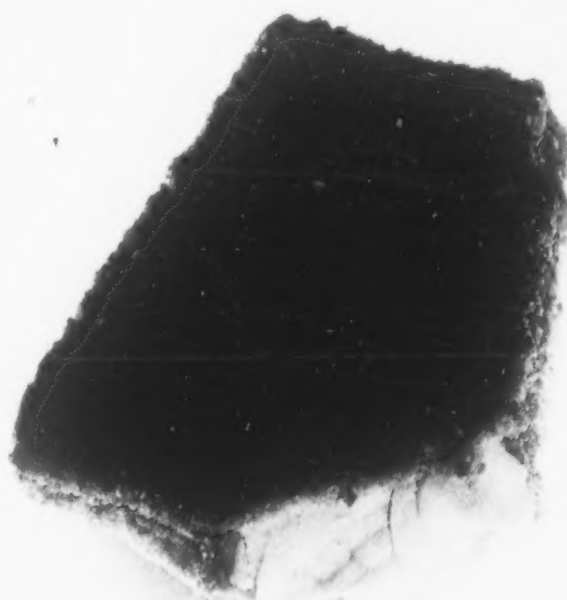
"It's how we're going to be doing business in our restaurants from now on," Edward H. Rensi, president of McDonald's USA, told investors. "If you're not satisfied, we'll make it right or your next meal will be free."

Part of the company's new-found interest in customer service utilizes customer comment cards, a tactic several chains have utilized in the past.

Not to be outdone amid the segment's burgeoning interest in customer service is Hardee's, which is pursuing a goal to become nothing less than "the best restaurant in the neighborhood."

While that objective has not factored into any advertising campaigns, chain president Bob Autry outlined the program before Hardee's franchisees several weeks ago. In addition to focusing on service speed, the chain is taking such steps as using door greeters and having employees in the seating area ask guests about food quality.

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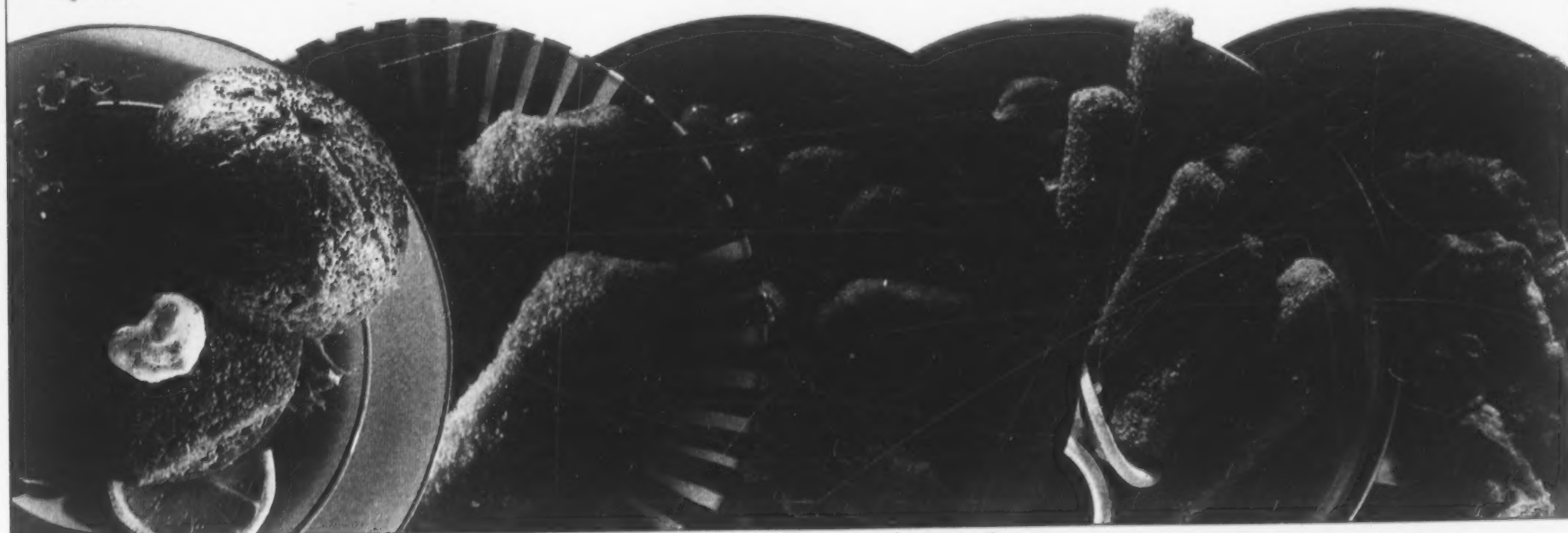
SQUARES

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Circle 145 on Reader Service Card

Family chains fight outside competition

(Continued from page 80)

ically new casual-themed concept located in the Cincinnati suburb of Wyoming, Ohio. The 52-seat facility features a turn-of-the-century Victorian firehouse decor and boasts such menu items as rotisserie chicken, honey-crackling ham, fresh cornbreads and an array of dessert cobblers. The 800-unit chain has yet to indicate when or if future Company C units will open.

Marie Callender's, the restaurant chain that pioneered the on-premises baking of numerous fresh pie varieties, recently began offering a series of new lunch and dinner entrée specials on menu-insert "fresh sheets" that put particular emphasis on fresh-fish dishes.

The Orange, Calif.-based chain also began advertising on TV for the first time in four years. Demonstrating the cross-segment influences of fast food's "value" pricing strategies, one Marie Callender's commercial illustrates how "a family of four can dine for under \$19."

Among the chain's new menu offerings are a "Cabo San Lucas" salad, a chicken Caesar salad, a giant stuffed potato and such new pie varieties as chocolate satin, strawberry Boston cream and chocolate macadamia nut.

Marie Callender's also is engaged in a test with Marriott's Host International division to add Marie Callender's proprietary pies and tarts to Host's foodservice operations at Los Angeles International Airport.

Both companies are reportedly negotiating to expand the test to other Host locations.

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NRN TOP 100

Dinner houses still riding the expansion wave

(Continued from page 74)
torts have begun exploring the use of downsized prototypes and non-traditional venues as a means of building name awareness and revenues.

The truncated Bennigan's and Chi-Chi's El Pronto mall concepts are two that are associated with the Supreme Court, a venture designed to put restaurant logos and prepared foods into supermarket food courts centered around a large common kitchen.

"Supermarkets are getting better and better and bigger and bigger, and they definitely represent a threat," Chi-Chi's executive vice president, Joe Micatrotto, remarks. "I see this [Supreme Court] as somewhat of a realization of the inevitability of [the supermarket food-court] concept. And if we don't do it, someone else will."

In the Top 100 dinner-house-development derby, Red Lobster and Olive Garden — both of which relied heavily on conversions at the outset of their aggressive expansion drives — have turned their attention to small towns.

Traditionally, Red Lobster entered cities only with populations of 100,000 or more and then only when such cities were near other municipalities. Now, however, the company targets communities of 60,000 to 70,000 people — even cities with no contiguous neighbors. The strategy was made possible by the company's 1987 decision to use network television advertising.

"It made us stop and think," president Jeffrey O'Hara says of Red Lobster's switch to network television. "There is a lot of opportunity out there where our signal reaches, and we don't have any restaurants."

Taking a "one-size-fits-all" approach, Red Lobster builds its standard 8,300-square-foot restaurant prototype in the secondary markets. Explains O'Hara, "We found that if you don't have [big-restaurant] seating on Friday and Saturday night in these small communities, you can't do the business."

Small-town units, Red Lobster officials say, are generating annual sales of about \$2.3 million, compared with the \$3 million average for metropolitan area restaurants.

The lower level of sales from Red Lobster's small-city units was cited as a contributing factor behind a 3 percent decline in the chain's sales-per-unit average for the recently ended fiscal year. But the small-market restaurants apparently equal the return on investment of their metropolitan area counterparts because they cost approximately 23 percent to 30 percent less to build.

Some observers view the small-market strategy as a way for Red Lobster and Olive Garden to use their size and financial resources to tie up the best sites in promising communities at low lease rates in anticipation of better days and heavier competition ahead.

Anticipating greater franchising activity — and, with it, the need to lower development

costs and provide a design suitable for secondary markets — T.G.I. Friday's has developed a new, smaller restaurant prototype. Friday's officials also view it as a tool that will allow them to cluster additional units in established metro markets.

The latest-generation Fri-

day's prototype takes up about 5,200-square feet, some 3,000 square feet less than the older model does, and features a smaller bar that has been relocated from the center of the space to the side. "It didn't make sense to continue building that big bar in the middle when bev-

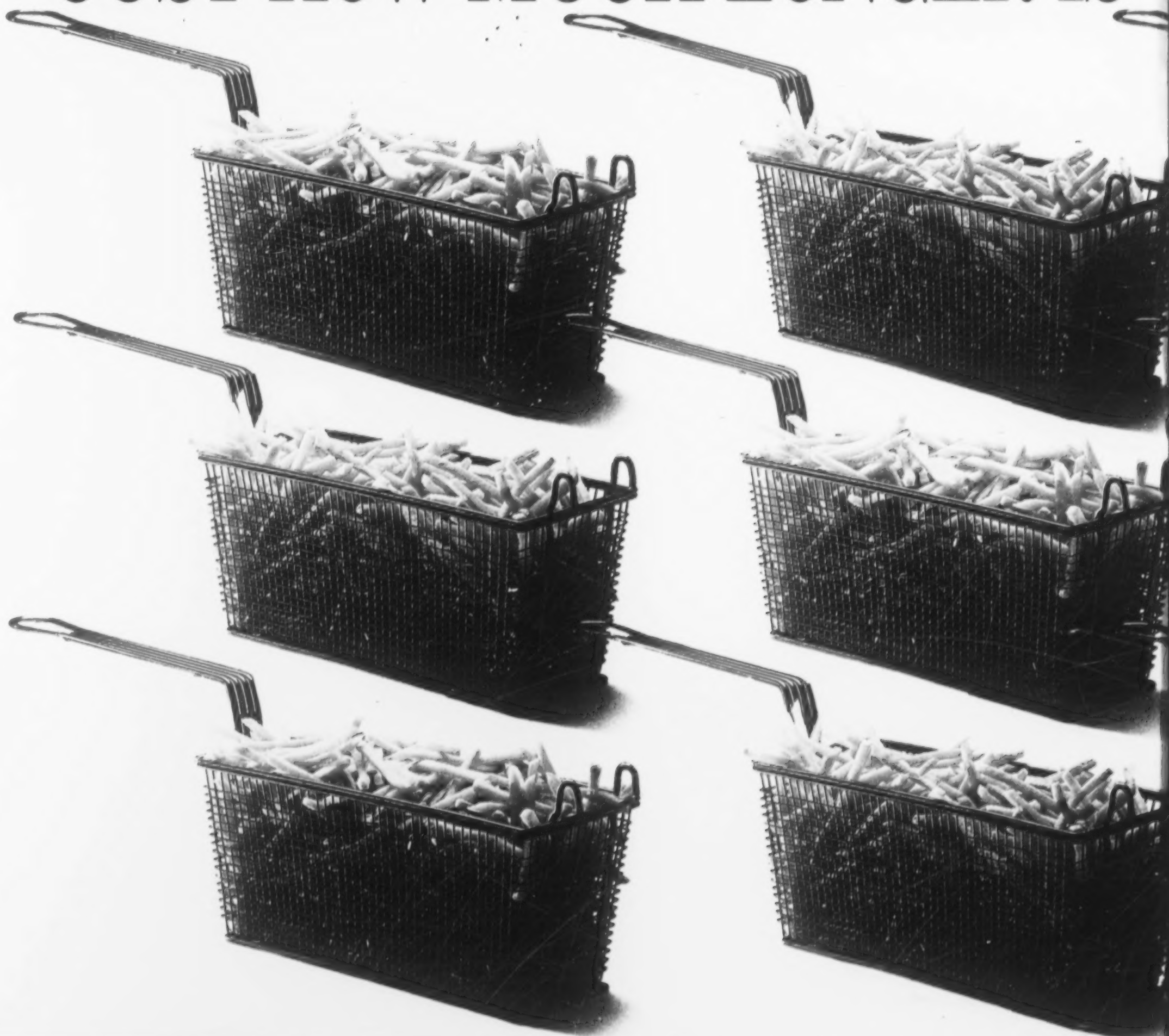
erage sales as a percentage of total sales are declining," says T.G.I. Friday's president, Richard Rivera.

Friday's new prototype also features a trim package that brightens the decor and gives it a bistro look, as opposed to the concept's original fern-bar feel. In

short, the chain's new prototype is closer in size and ambience to the leaner and meaner units operated by other chains on the rise in the '90s, including Chili's and Applebee's, than it is to the restaurants of long-time conceptual competitor Bennigan's.

(Continued)

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NRN TOP 100

Dinner houses still riding the expansion wave

Efforts to create a clear identity among the seemingly endless number of chains and independents will be increasingly important, some analysts say.

"We do think that there is going to be a real emphasis on competitive differentiation,"

Technomic's Kruse remarks. "The chain segment is becoming rather crowded, and there will probably be some marginal players who won't survive."

El Torito's Casey is well aware of the need to stand out from the pack. He notes that the chain, which is fighting back

from a sizable drop in same-store sales last year, did some research and found "there is a lot of parity among Mexican restaurants."

"Guests are having a hard time differentiating one [chain] from the other," Casey points out.

To make matters worse, he continues, "this segment has been under quite a bit of pressure because the rest of the casual concepts, such as Applebee's and Chili's, have taken two or three of our products and done a pretty good job with them." Fajitas, quesadillas and

nachos are among the appropriated dishes once offered almost exclusively by Mexican theme restaurants but now handled deftly by others, Casey explains.

El Torito is responding to those challenges by upgrading some of its product specifications and borrowing menu ideas from its four upscale El Torito Grill restaurants. Among other changes, El Torito replaced frozen meats and chicken with fresh product, eliminated the use of processed avocado pulp in favor of fresh avocados and began flavoring its rice with roast red peppers instead of tomato.

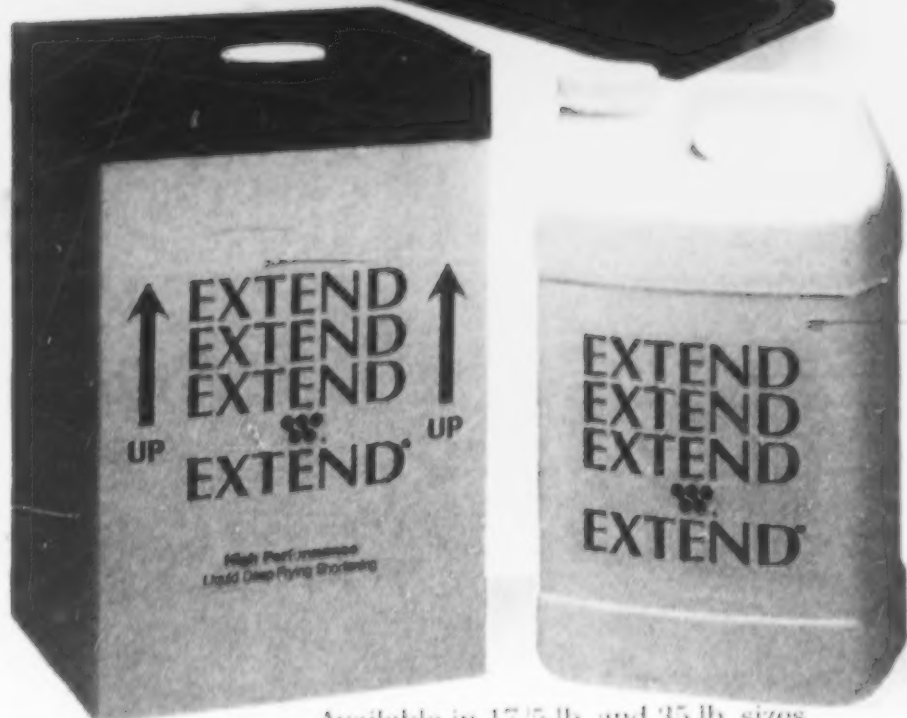
Technomic's Kruse sees differentiation through the development of new categories of ethnic dinner houses as a distinct possibility in the '90s.

"Olive Garden was a major breakthrough in an area analysts say would never succumb to chaining — Italian restaurants, the bastion of moms and pops," she says. "We expect to see the emergence of ethnic dinner-house chains in categories that never existed before, things such as Chinese."

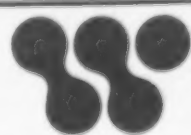
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Pizza chains chart ambitious growth

(Continued from page 87)
line sales."

While those companies are using technology to micro-market, other chains like Godfather's and Papa Gino's are relying on increased advertising spending to reach their customers. Although Godfather's Cain would not disclose figures, he said the company has boosted its advertising budget and is "doing more in-store, radio and print" promotion.

Papa Gino's is tapping increased advertising and local demographics. "We have doubled our marketing budget in 1992 vs. 1991," says Papa Gino's Grimm. "We are trying to make more effective use of print and radio and doing chain-wide events," Grimm explains. He also says Papa Gino's is trying to run the chain "one restaurant at a time" by "taking advantage of what each trade area and demographics have in store."

Aside from trying to build top-of-mind awareness with advertising, some operators are focusing on non-traditional sites to tap captive audience and in-transit markets. Hotels, for example, are quickly finding food-service partners in the pizza segment.

Domino's recently inked a deal to provide direct delivery to Holiday Inn Express units, and Pizza Hut is making its way nationally into many Marriott-run hotel properties.

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NRN TOP 100

STEAK CHAINS RANKED BY NUMBER OF U.S. UNITS

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Year-end Number of Units		
				Current*	Last Full	Prior
1	1	Ponderosa	Feb. '93	752	775	740
2	2	Sizzler	April '93	645	638	628
3	3	Golden Corral	Dec. '92	450	450	445
4	4	Western Sizzlin'	Dec. '92	371	402	442
5	5	Bonanza	Feb. '93	315	375	427
6	6	Quincy's	Dec. '92	221	216	212
7	7	Ryan's Family Steak House	Dec. '92	203	177	159
TOTAL:				2,957	3,033	3,053

*Projected
Source: NRN Research

STEAK CHAINS RANKED BY GROWTH
IN NUMBER OF U.S. UNITS

(Year-to-year percentage change)

1992 Rank	1991 Rank	Chain	Fiscal Year Ends	Percentage Change	
				'92 vs. '91*	'91 vs. '90
1	1	Ryan's Family Steak House	Dec. '92	14.69	11.32
2	3	Quincy's	Dec. '92	2.31	1.89
3	4	Sizzler	April '93	1.10	1.59
4	5	Golden Corral	Dec. '92	0.00	1.12
5	2	Ponderosa	Feb. '93	- 2.97	4.73
6	6	Western Sizzlin'	Dec. '92	- 7.71	- 9.05
7	7	Bonanza	Feb. '93	- 16.00	- 12.18
AVERAGE:				- 1.23	- 0.08

*Projected
Source: NRN Research

ROUND AFTER ROUND, WE'RE WINNING OVER AMERICA'S BARS.

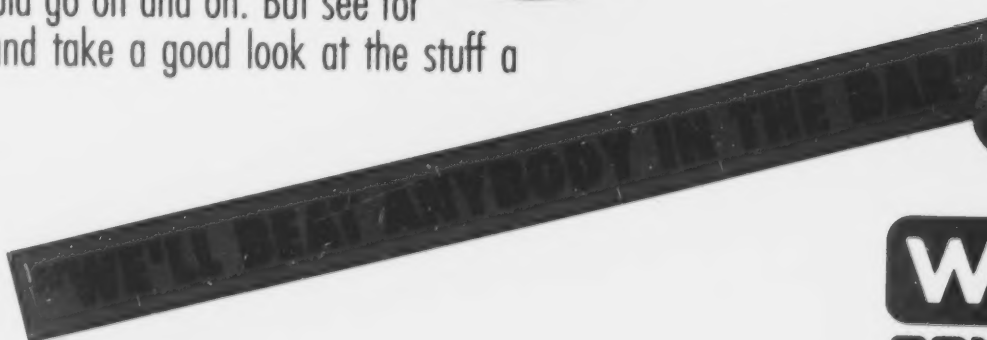
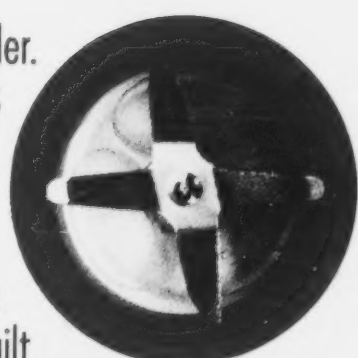
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Steak chains

(Continued from page 115)
niche include 200-unit Ryan's Family Steak House, based in Greer, S.C. Ryan's, which had introduced the concept of all-you-can-eat self-service with an 80-item "Megabar" several years ago, is now rolling bakeries chainwide.

The first Ryan's bakeries, however, were tested by the chain's franchisee Family Steak Houses of Florida Inc., based in Neptune Beach.

In April, 28-unit Family

**Ryan's Family
Steakhouse is
rolling bakeries
nationwide.**

Steak Houses also began testing weekend buffet-breakfast with immediately positive results, according to president James Osborn.

Over a year ago, 218-unit Quincy's Family Steakhouse — part of Spartanburg, S.C.-based TW Services — finished rolling a weekend buffet-breakfast program to complement its Country Sideboard all-you-can-eat lunch and dinner bar.

Quincy's now is also operating take-out bakeries in its stores, following a test that began somewhat more than a year ago.

And 370-unit Western Sizzlin, whose headquarters are in Dallas, is watching stores come alive with new dining-room bakeries. The bakery program now extends to 40 Western Sizzlin restaurants and remains part of a painstakingly developed strategy to strengthen relations between the company and its franchisees, according to operations vice president Bill Burnett.

From a base of more than 600 units when the 30-year-old chain was bought from its founders in 1988, Western Sizzlin's numbers have fallen dramatically. However, the system is now poised to rebuild, according to Burnett.

"We're finally at a positive stage," he says. "We have a franchisee-controlled advisory committee, and we're on track to break the \$1 million-per-store sales mark for the first time ever."

Nation's Restaurant News

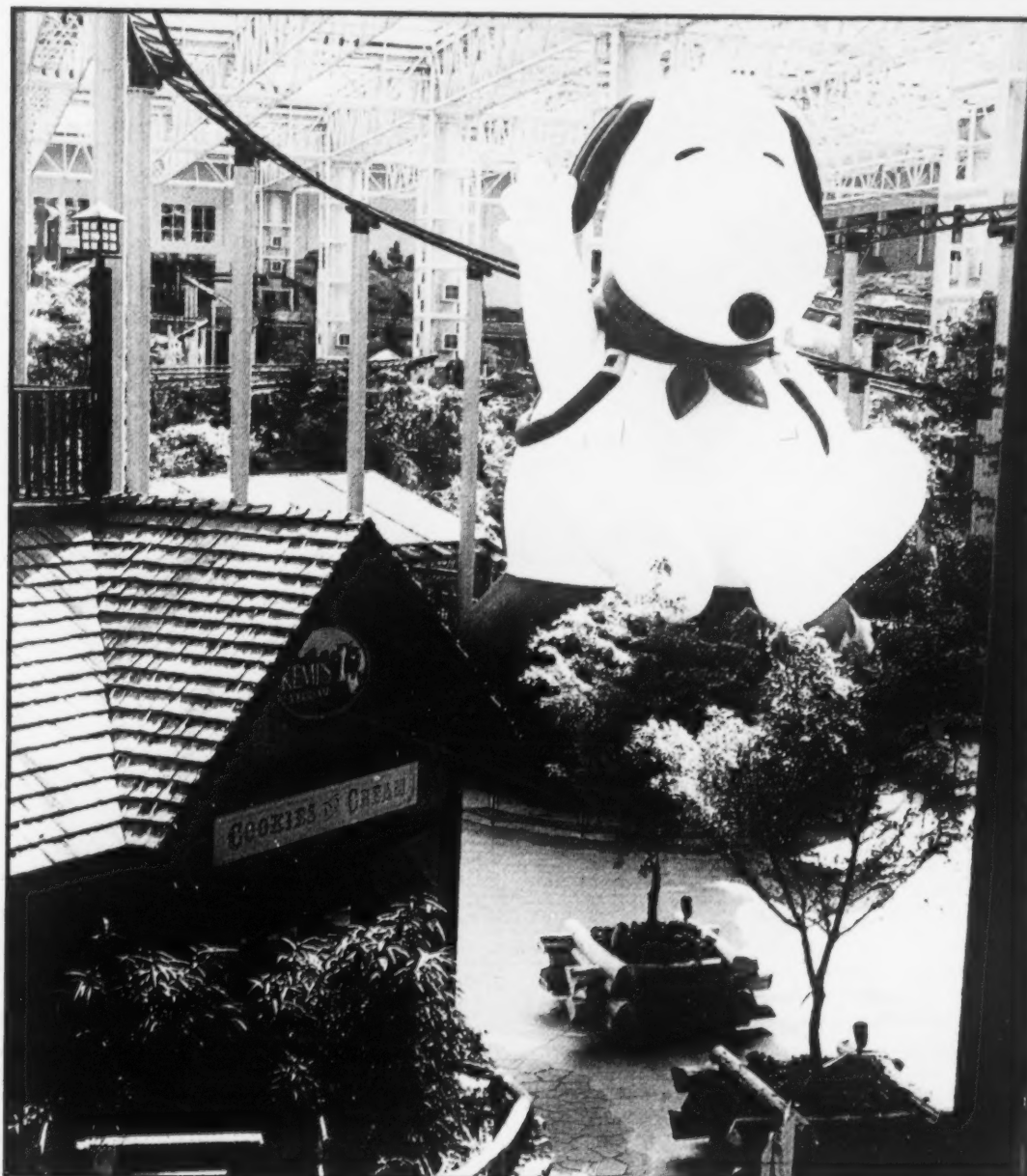
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 26, No. 33

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August 17, 1992



NRN Photo

Knott's Camp Snoopy amusement park anchors Mall of America.

Cheers, some fears greet Minn. debut of biggest US mall

by Carolyn Walkup

BLOOMINGTON, Minn. — Mall of America — the nation's largest enclosed shopping center featuring 57 restaurants — opened here Aug. 11 with the most fanfare since the Minnesota Twins won the pennant.

Roughly the size of Chicago's Merchandise Mart, the mall sprawls over 78 acres with 4.2 million square feet of floor space and includes the world's largest indoor theme park, Knott's Camp Snoopy; 250 stores; 14 movie theaters; and 13,000 parking spaces. About

10,000 employees are needed to fully staff the huge center.

And, according to one estimate, it would take someone several 12-hour days to visit every store, restaurant, nightclub and ride in the center.

Developers of the \$625 million mall, the Triple Five Corp. of Edmonton, Alberta — best known for the 10-year-old, 800-store West Edmonton Mall — and partner Melvin Simon & Associates of Indianapolis, said that the mall has the potential

(See MALL, page 4)

Houston operators prep for the Grand Old Party

Restaurateurs welcome Republican convention and a chance to bask in the national spotlight

by Ron Ruggless

HOUSTON — With 5,000 Republican Party convention delegates converging here this week, along with 15,000 media representatives and 20,000 guests and technicians, the city's restaurateurs and caterers have braced for some grand old parties.

The GOP convention is expected to pump \$6.7 million into the Houston economy, about \$1.1 million — or 17 percent — of that for food, according to Donald Ward, director of sales with the Houston Convention and Visitors Bureau.

But while some restaurants' private rooms — like those at the Southwestern pioneer Cafe Annie — were booked within days of the convention's announcement in January 1991, restaurateurs say the political convention in President George Bush's adopted hometown does more to raise their profiles than their profits.



Tony Vallone, of Tony's restaurant, says: 'It's really an excellent opportunity to showcase what our restaurants have to offer.'

"It's really an excellent opportunity to showcase what our restaurants have to offer," said Tony Vallone, owner of the posh

Tony's restaurant as well as several other newer Italian spots. "We want to make a good (See HOUSTON, page 60)

INSIDE

NY's '92 promo lures fine diners

NRN Editorial/Page 19

Table d'hôte is in

Segment Study/Page 27

Industry hails chef Paul Bocuse

Page 34

Franchisees buy Pioneer Chicken, ending 2nd Ch. 11

by Richard Martin

LOS ANGELES — Surviving franchisees of Pioneer Chicken have acquired the decimated chain in a bankruptcy court action, all but ending a strife-torn and litigious decade that saw the international fast-food system shrink from more than 300 branches to 90 regional locations.

As the humbled fried-chicken outfit was plucked from a Chapter 11 reorganization for the second time since 1989, the hopeful operators of Pioneer's remaining restaurants began plotting a recovery course as the new masters of their own business destiny.



UFO president Rod Jarboe, right, congratulates franchisee Hong Lee.

"Our long-range plans are to attract an investor to put some money into our stores," said Pioneer franchisee Rod Jarboe, who was named presi-

(See PIONEER, page 61)

ABC's Brinkley will headline MUFSO

DALLAS — David Brinkley, a 48-year veteran of broadcasting and the dean of ABC News, will be a keynotespeaker at Nation's Restaurant News' Multi-Unit Food Service Operators conference (MUFSO) here.



Brinkley

"The View from Washington" will be Brinkley's topic for

his luncheon address on Monday, Sept. 21.

A highly respected political reporter, Brinkley has covered every presidential election and nominating convention from 1956 and has written about every chief executive since FDR. He

has been a dominant force in journalism since he teamed

with the late Chet Huntley to anchor NBC's "The Huntley-Brinkley Report," also in 1956.

Brinkley, who has won every major broadcasting honor, including 10 Emmy Awards and two George Foster Peabody Awards, premiered his distinguished "This Week With David Brinkley" on ABC in November 1981.

Following eight years as (See BRINKLEY, page 60)

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August 17, 1992

NEWS BRIEFS

Furr's/Bishop's signs on Hyde, ex-Miami Subs VP, as division prexy

LUBBOCK, Texas — Just weeks after his abrupt resignation as executive vice president of Miami Subs, William L. Hyde, the ex-president of the Chart House and Atlanta-based Del Taco chains, has been named family division president of Furr's/Bishop's Inc.

Hyde, whose appointment was disclosed by company president and chief executive William E. Prather, now heads a 140-unit group comprising the flagship Furr's and Bishop's cafeterias, four casual ZooKinis units and the two Furr's Family Buffet food-bar prototypes. The Lubbock-based company's eight El Paso Barbecue units are in a separate division.

The new Furr's Family Buffet, whose initial branches are in Merriam, Kan., and Sioux Falls, S.D., "more than likely will be a major growth concept" for the company, said Hyde, three days after taking office.

Explaining his departure after just three months at the Ft. Lauderdale, Fla.-based sandwich chain, Hyde said, "The corporate environment at Miami Subs was not conducive to my style of management."

Hyde said the previously reported resignation of C. Ronald Petty as Miami Subs' president and chief executive was submitted by Petty the day after Hyde's departure. Gus Boullis, founder and chairman of Miami Subs, was left to assume the duties of both industry veterans.

Boston City Council passes condom machine ordinance

BOSTON — The City Council has passed an ordinance that would require establishments holding seven-day entertainment licenses — which would include most of this city's restaurants and bars — to install coin-operated condom-vending machines.

The ordinance — which is intended to help stem the spread of sexually transmitted diseases, including AIDS — mandates that the machines be located in a publicly accessible place or in both the men's and women's rooms. Religious groups with seven-day entertainment licenses and those holders without restrooms would be exempt from the ordinance.

The mayor has until Aug. 24 to sign or veto the ordinance.

Meanwhile, the Massachusetts Restaurant Association is challenging the legality of the measure. "We maintain that this is not legal," said Peter Christie, the association's executive vice president. "The restaurant association feels that the city counselors are not the people that are empowered to put limitations on entertainment licenses."

Members of the restaurant association vary in their sup-

port of the measure, Christie said. But, he added, "We as an association are opposed to any sort of mandate like this. I think many people are opposed to finding themselves in the restaurant business and being mandated to distribute condoms."

Many restaurants and bars in nearby Cambridge, Mass., are already required by their local health department to install and maintain the vending machines.

McD puts brakes on dinner tests

OAK BROOK, Ill. — McDonald's is temporarily halting dinner menu tests and is returning the project to company test kitchens here after the year-long marketing experiment in at least two cities.

Company spokesmen would not state why the test was being pulled or when it might be resumed, but insisted that the burger behemoth was committed to developing a distinct dinner day-part.

Late last summer the company began selling roasted chicken, spaghetti and meatballs and fettuccine Alfredo in 70 McDonald's units as a prelude to the intended rollout of pizza. Restaurants in Rochester, N.Y., and Nashville, Tenn., participated in the pasta and chicken test, while another 500 units sold pizza as part of a three-year-old evaluation of that product.

During McDonald's annual shareholders meeting in May, executives told a gathering of reporters that years of testing may be needed before the chain would launch a dinner menu systemwide.

Chicago ballot threatens alcohol restaurant sales

CHICAGO — Referenda proposing to ban the sale of alcoholic beverages in 22 precincts could be on the November ballot here.

Among the precincts included is the 41st Precinct of the 43rd Ward, which includes seven restaurants and five taverns in the Halsted Street district. Among them are Charlie Trotter's and Cafe Ba-Ba-Reeba!

The restaurants have banded together as the Lincoln Park Hospitality Council to fight the move and to alert voters that restaurants as well as bars would lose their liquor licenses if a majority of voters choose to make the precinct dry.

Euro Disney group cuts room rates at six hotels

PARIS — Euro Disney SCA, which is slashing room rates at its six resorts to spur attendance, plans to shutter its top-of-the-line Newport Bay Hotel from October through most of April to adjust for seasonality of demand, according to a Dow Jones news report quoting a spokesman for the new theme park.

The park's Santa Fe Hotel, for example, has cut its nightly rates by 36 percent, to 550 francs, and plans to drop them again to 450 francs in the off-season, the report said.

However, all the hotels, totaling 5,200 rooms, are currently enjoying a 100-percent occupancy rate, the spokesman is quoted as saying.

News of the rate adjustments and planned closure of the 1,100-room hotel comes as pundits say the massive Walt Disney Co. development faces ongoing challenges in its quest to tap a core clientele of Parisians, who typically take family outings only on Sundays and traditionally vacation en masse during August. Attendance at the park, outside Paris, is reportedly lagging behind projections.

LJS franchisee spawns fast-fish double drive-thru

JASPER, Ind. — A Long John Silver's franchisee here has opened the chain's first double-drive-thru unit, which is believed to be the first such car-focused format launched by a seafood concept.

Buehler-Ruckriegel Group, a multi-brand franchise operator based in Jasper, opened the LJS outlet in a converted Beefy's burger unit in South Bend, Ind. In addition to twin drive-thru lanes, the outlet has a walk-up window and the chain's newest lighting, signage and merchandising fixtures.

The unit, which has no interior seating, offers 80 percent of the fish-and-chips chain's standard menu items and employs about 30 people to cover all shifts. Buehler-Ruckriegel executives said first-week sales exceeded expectations.

While the Lexington, Ky.-based franchisor intends to eventually open a similar unit, the concept is not expected to be a major growth vehicle, according to Bruce Cotton, LJS's senior vice president of public affairs.

In addition to 89 LJS units, the Jasper franchisee operates branches of the Wendy's, Denny's, Jerry's Family Restaurants, Rally's, and Grady's chains.

Scott's Perfect in U.K. acquires Gino's Dial a Pizza

LONDON — Perfect Pizza Ltd., a 142-unit subsidiary of Toronto-based Scott's Hospitality Inc., has acquired Gino's Dial A Pizza, an 82-unit pizza chain in the United Kingdom.

The acquisition, for an undisclosed price, will enable London-based Perfect Pizza to penetrate northern England, where a majority of the Gino's outlets operate.

Currently, Perfect's restaurants are located primarily in southern England.

Scott's also operates and franchises the 110-unit Manchu Wok chain in the U.S., and is the master franchisee in Canada for Sbarro Pizza.

NEWS

Mall of America debut meted with cheers, some fears in Minn.

(Continued from page 1)

to attract 40 million visitors a year, with Japan targeted as the top international market. Some 1,200 bus tours already are booked for the remainder of 1992.

The mall is located five minutes from Minneapolis/St. Paul International Airport, where many Japanese visitors change planes en route to the East Coast. Exit signs for Mall of America on the expressway ensure that visitors who are driving can't miss it.

But amid all of the publicity about the mammoth opening, many Twin Cities and suburban restaurant operators wonder whether the mall will take business away from them. Operators in nearby Minneapolis and St. Paul are banding together with downtown retailers to jointly promote their urban centers as attractive alternatives to the mall scene.

Wayne Kostroski, president of the Minnesota Restaurant Association and partner in Goodfellow and Tejas restaurants in downtown Minneapolis, said: "I want the mall to succeed, both as a taxpayer and a local citizen. But we want people to see how different the two areas are. I am not sure a mall will become a regular usage place."

Other local operators agree. One 40-year operator, Harriet Long of Gregory's, said, "Many of us feel it [the mall] can't succeed."

"It's a monstrously large place. I can't see why anyone would come from a five-state area or Chicago. Some of the establishments are priced way beyond our area," she concluded.

Nearby hotel owners who may benefit initially from mall visitors are not pleased about Phase II plans that include the construction of an on-site hotel, which may add as many as 1,000 rooms to the area. No hotel tenant has yet been signed, but developers expect construction to start in 1994.

Operators in the mall, however, are confident that it is the

place to be. They range from fast feeders who traditionally locate in malls to white-tablecloth operators who run free-standing destination restaurants in other markets.

All of the full-service restaurants are new to the Minneapolis market. They are Alamo Grill; Albert's Family Restaurant; Blackhawk Steakhouse; Boogies Diner; California Cafe; Fat Tuesday; Fog City Diner; Hooters; Ruby Tuesday's; Tony

steak approach is similar to Outback," Taffer said.

Decor combines elements of San Antonio missions with Western murals and artifacts in three rooms. "We'll be a family restaurant by day and an adult restaurant by night," Taffer predicted.

The Gatlin Brothers of Nashville fame are partners in their first restaurant-show lounge, at which they will perform occasionally. The 900-seat

cities and is handling day-to-day operations. "It's like opening a Disney World."

Other restaurant operators also anticipate becoming destinations for people who come to the mall for dining and entertainment more than for shopping, especially at night. "We are a destination restaurant as well as catering to shoppers," said John Burns, vice president of operations for California Cafe.

The 12-unit company's first venture outside of California, the 256-seat white-tablecloth restaurant features an eclectic seasonal menu emphasizing appetizers, salads, pastas, wood-fired pizzas and light entrées. Some local favorites will be added to the California-oriented menu, including wild rice soup, walleye and a branded locally made ice cream.

The cafe will have a skydeck overlooking Knott's Camp Snoopy. "We will have the only skydeck," said Burns, who anticipates it will become a popular meeting place.

Atmosphere at the other full-service restaurants varies from the upbeat casualness of Fat Tuesday's and Hooters to the more refined style of Blackhawk Steakhouse. Two fast-food courts seat 1,000 each.

The mall's collective advertising and marketing ability outweighs that of the metropolitan area's many smaller malls and other retail districts. But downtown restaurants and retailers are joining forces in hopes of holding onto their share of the market.

The Downtown Marketing Committee of Minneapolis has launched a "Do the Town" campaign that rewards customers who spend \$20 or more in participating stores or restaurants with free parking after 4 p.m. Billboard and radio advertising is supporting the campaign. The committee counts some 275 restaurants of all types in the downtown area.

Between Thanksgiving and Christmas, the committee will sponsor a series of Disney-

style electric light parades centered around fairy tale characters. Downtown buildings will decorate with lights as part of the "Holidazzle" promotion.

The St. Paul Downtown Council's approach is to entice mall visitors, especially those from out-of-town, to experience St. Paul's cultural events, museums, stores and restaurants, including a new Minnesota His-

Mall of America

Size: 78 acres; 4.2 million square feet.
Retail area: More than 2.6 million square feet.
Stores at opening: 250.
Restaurants: 57.
Parking spaces: 13,000.
Movie theaters: 14.
Bathrooms: 54.
Employees: 10,000.
Projected annual visitors: 40 million.

"I want the mall to succeed, both as a taxpayer and a local citizen."
— Kostroski



Roma's; Tucci Benucchi; five outlets operated by Knott's Berry Farm and seven nightclubs managed by Dallas-based Harborage Inc., including Gatlin Brothers Music City/Grille.

Three of the four anchor stores — Macy's, Bloomingdale's, Nordstrom — also offer foodservice. Macy's includes a Wolfgang Puck's California Pizzeria outlet, Dolcetto Espresso Bar, The California Grill, the California Fresh Juice and Yogurt Bar, and the Market Place Deli.

Nordstrom operates Cafe Nordstrom and an espresso bar, while Bloomingdale's offering consists of Eat Healthy, a juice, yogurt and muffin bar.

Alamo Grill and Gatlin Brothers Music City/Grille are making their debuts at Mall of America. Alamo Grill, owned by Jon Taffer and William Beard, is a Western-themed family restaurant-steak house that they hope to expand. "Our

state-of-the-art club will feature national country acts, including Ronnie Milsap and Marie Osmond in August as well as local and regional bands.

The restaurant — decorated with gold records and other memorabilia from the Gatlin Brothers' private collections — features the family's barbecue sauce, steaks, smoked meats and "down-home cooking," according to Leon Carroll, president of Harborage. The "take me home" section includes meat loaf with gravy, catfish fillets, Sunday pot roast and fried chicken, all priced at \$7.95.

The musical brothers, Steve, Larry and Rudy, plan to be involved in the business, as time permits. "You don't put your name on something and let others run it," Larry Gatlin said.

"We are very excited with the mall," said Carroll, whose company manages similar entertainment complexes in other

CORRECTIONS

Owing to a production error, the two identification keys to the chart "Top 100 sales growth by market segment," Aug. 3, page 4, were miscoded. The chart is reprinted correctly at right. Readers are advised to annotate the chart in their copies of the Aug. 3 issue.

In the same issue, No. 99-ranked Daka Inc., a contract foodservice chain, was misidentified regarding its concept type in "Top 100 chains ranked by U.S. systemwide sales," page 41. Although data for Daka appear in that table and five others that rank the Top 100 by sales, units and growth rates, the same data were not expressed in the contract segment rankings on pages 106 and 109.

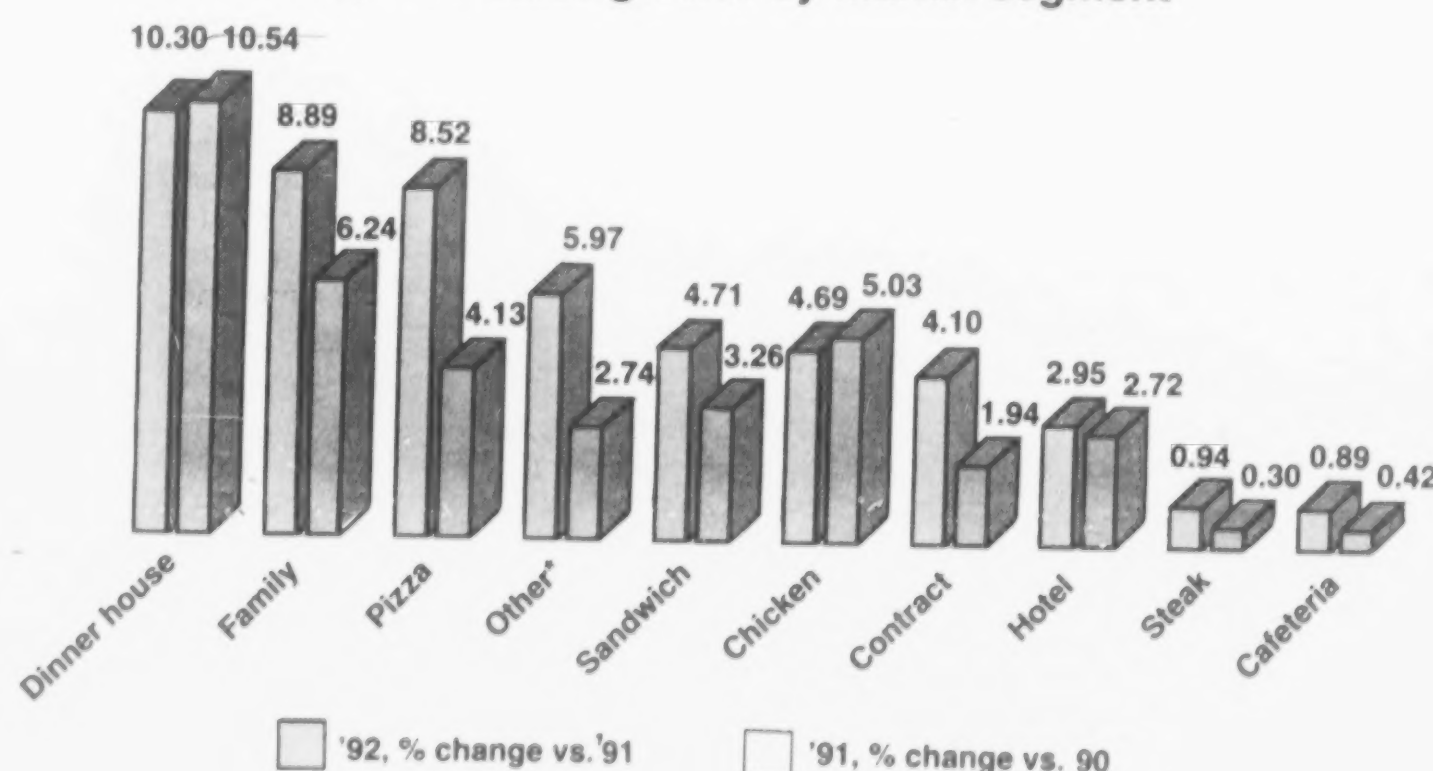
"Pizza chains chart ambitious growth," Aug. 3, page 84, incorrectly stated the proportion of the U.S. pizza market controlled by the industry's eight largest pizza

chains. Their combined U.S. systemwide sales of nearly \$10.4 billion in 1992, as projected by the NRN Top 100 study, represent 31.4 percent of the estimated \$33 billion pizza market.

"Levy enters the big leagues with specialty concessions," Aug. 10, page 30, lacked a byline. Carolyn Walkup wrote the story.

"Consolidated names president," July 20, page 2, incorrectly switched the name of Consolidated Products' new president with that of the company's chairman, also misspelling the name of chairman E.W. Kelley. As a result of the mistakes, the background of one of the executives was misrepresented. Alan B. Gilman, who had been a consultant to Kelley, was named president of the Steak N Shake parent. His career previously had been retail-and-marketing-oriented.

Top 100 sales growth by market segment



Source: NRN Research
 * Includes snacks, fish, in-store, C-store, & theme park

OPERATIONS

South African wines — en route to US — stay in UK

Westward ho! A funny thing happened to South African Chenin Blanc on its way to the U.S. market; it sold out in Great Britain.

The dreaded Chenin, a wine American distributors as well as restaurateurs are not always eager to handle, won't be part of the package being offered to American wholesalers, and that's good news for them as South African wines begin making their way here in time for autumn.

The South Africans, making their return to this country after long years in exile because of anti-apartheid sentiment, have modest goals, projecting sales of 75,000 to 100,000 cases through December 1993. By comparison, in the United Kingdom, which has much closer trading links geographically and historically, the goal is 1 million cases annually by 1995.

One importer, Cape Ventures, which imports South Africa's largest producer, KWV, will be bringing in 18,000 cases this fall. The South Africans have a lot going for them aside from the quality of their wines. The major factor in this market is price, and price stability.

The South Africans, profiting from Australia's pricing mishaps, have promised to freeze opening prices through the end of '93. The Australians, you will recall, thundered onto the U.S. market with good wine at low prices and had tremendous sales, which declined sharply when they raised their prices about 30 percent after less than two years of success. The shakeout left just a few strong brands available in the United States, where once there were dozens.

They are also quoting prices in dollars. European wines, for the most part, are listed in local currency, and with the dollar having shrunk about 10 percent in recent months, prices have been rocketing upward even in the face of shrinking demand.

From South Africa we'll be seeing Sauvignon Blanc, Chardonnay, Cabernet Sauvignon and the



unique South African wine Pinotage, a cross of Pinot Noir and Cinsault. You can also expect to see a lot of Port at the kind of price that permits a \$4-by-the-glass seller, about \$48 a case. South African tawnies, ruby ports and vintage-style Ports made from the true Portuguese grapes, can, as Hugh Johnson says, be "truly remarkable." Port is predicted to make up about one-third of the exports to the United States.

The nation's largest producer is KWV, a state co-operative, handling the production of five wineries. We'll be seeing KWV's basic Cape Country label, \$40 to \$48 a case; its Springbok, sort of a South African Stags Leap label, about \$58 a case; and its top-of-the-line Cathedral Cellars label, about \$108 a case.

South Africa's hot, dry, sunny climate — excellent weather during harvest season as well as favorable soil and mountainous microclimates — has ideal conditions for viticulture. The country is coming off three years of huge harvests, and 1991, possibly the most superior vintage of the past two decades, was the largest, some 9.7 million hectoliters, the equivalent of 90 million cases if it were all made into wine. Only the best, however, is used for wine, and about half goes for distilled spirits and grape juice concentrates.

* * *

Further westward: The California Barrel Tasting dinner, which has had a precipitous life on the East Coast since the Four Seasons discontinued the event several years ago, will be revived on Aug. 29 at San Francisco's Stanford Court Hotel. Fifty wineries will show off a 1991 barrel sample and an older vintage for comparison. The Stanford Court, through winemaker Joseph Nace, plans a much larger barrel tasting for '93 and will also be involved in the establishment of a Winemaker Hall of Fame. Further south: On Aug. 12 the Highlands Inn in Carmel, Calif., held what is, to my knowledge, the most expensive winemaker dinner ever. It'll be a \$190-a-person bash, taxes and tips included, celebrating the wines of the Domaine de la Romanee Conti, with a six-course dinner prepared by visiting chef Jean-Louis Palladin and Highlands executive chef Brian Whitmer. Wines include an '87 Montrachet, a '55 Echezeaux, an '89 Romanee-St. Vivant and an '82 Richebourg. Even further south: Two top American sommeliers, Larry Stone of Charlie Trotter's, Chicago, and William Phillips of the Twenty-One Club, New York, will fly to Buenos Aires to compete in the world sommelier championships, Sept. 3-4. It's the seventh time around for this every-third-year event.

WINE OF THE WEEK

1990 Georges Duboeuf Syrah Rose

With Beaujolais prices going up, master French winemaker Georges Duboeuf has turned his attention to lesser regions of France, and one result is this striking Syrah Rosé from the Pays d'Oc. It's got a lovely pink color, more body than the usual rosé and a pleasing hint of tartness, all in good balance in a refreshing wine that works well with fish and lighter white meats. Duboeuf's quest also turned up an oak-aged Chardonnay and Merlot from the same district and a Gamay from the Ardeche. The Rosé is a great value at \$48 a case.

SIDE DISHES

Yonkers City council to outlaw bikini-clad hot-dog sellers

YONKERS, N.Y. — The Yonkers City Council is becoming involved in a "coverup" by drafting a law forcing bikini-clad hot-dog vendors to put on a T-shirt and shorts.

"The hot-dog vendors are doing a brisk business," said Kris Gallina, chief of staff for Yonkers Council president Vincenzo Restiano. "But there is quite a bit of rubbernecking, and the women are causing severe traffic problems."

Gallina said the vendors began appearing in the beginning of the summer, and irate women callers focused attention on the issue.

"The issue is not whether wearing a string bikini or baring one's breasts in public is a constitutionally acceptable manner of expression, but whether promoting the exposure of a person in order to sell hot dogs is appropriate," said Restiano in a statement. "I believe that the practice is dangerous to drivers and pedestrians who gawk at the hot-dog hawkers, potentially dangerous to vendors who may be scalded by hot water, unhealthy, unethical to the system of values we hope to teach our children, as well as extremely degrading to women."

"I would have the same objections to a male vendor sporting a bikini G-string," Restiano concluded.

Gallina added that a slew of "crazy tabloid television" shows have increased furor over the issue. "All they want to focus on is breasts and not the issue," she complained of the coverage.

In the Fort Lauderdale, Fla., area, competition has become fierce. A recent segment on the television show "Entertainment Tonight" profiled a hot-dog veteran who is known merely as "Wally" and uses a lifelike dummy dressed in a bikini to attract business.

When the going gets tough Parisians are getting friendlier

PARIS — This bastion of culture, haute cuisine and romance — known for its indifference and sometimes downright rudeness to foreigners — is going to charm school.

With its tourist trade weakened by a slumping economy, the Paris Chamber of Commerce has begun a new campaign to get Paris' tourist ambassadors, cab

NAME OF THE WEEK

I Love Juicy

Los Angeles

NRN reader Leon Gottlieb, a principal with the management consulting firm of Gottlieb & Associates, spotted this week's winning restaurant name at 7174 Melrose Ave. in Los Angeles. The restaurant, which features all vegetarian and vegan (non-dairy vegetarian) dishes, specializes in juices, lasagna, quiche, veggie burgers, salads and steamed vegetables.

If you spot a clever, funny or bizarre restaurant name, send it to Name of the Week, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

drivers, waiters and others to be friendlier to out-of-towners.

The campaign, "smile, everyone, smile," is being backed by French companies that rely on the tourism trade.

Cassettes, posters and bumper stickers have been distributed as part of the campaign. Imagine walking down the Champs-Élysées and hearing "Pardon, Êtes-vous perdu?" (Excuse me, are you lost?)

Tuna remains king of the sea in Fisheries Institute ranking

ARLINGTON, Va. — The National Fisheries Institute recently issued a report that indicates tuna, thanks to its canned form, remained America's favorite seafood in 1991.

"The top four species of finfish and shellfish have remained essentially the same since 1987, when we first started tracking the top 10," said NFI executive vice president Lee Weddig.

"We can attribute the number four ranking of Alaska Pollock to its use as a raw ingredient in breaded seafoods as well as Surimi seafoods — popular value-added products often called imitation crabmeat, lobster and shrimp," he added. The top 10 species represent

QUOTABLE

"The three favorite things in the South are fried chicken, barbecue and iced tea."

— Bojangles' president Richard Campbell, explaining why fried chicken sustains popularity in spite of national nutritional concerns, especially in the South.

approximately 76 percent of the total 1991 per-capita consumption, which rose to 14.9 pounds last year.

Species	Pounds per capita
1. Tuna	3.60
2. Shrimp	2.40
3. Cod	1.12
4. Alaska Pollock	0.99
5. Salmon	0.97
6. Catfish	0.77
7. Clams	0.58
8. Flatfish	0.38
9. Crabs	0.32
10. Scallops	0.25

Entrepreneurial bug bites Russia's emerging capitalists

MOSCOW — Young Russian entrepreneurs here are selling everything from soft drinks to window delivery at the local McDonald's.

According to the Wall Street Journal, hundreds of malenkie biznesmeni (pint-sized businessmen) are swarming the streets since Russian president Boris Yeltsin's decree that selling anything on the streets is a legal form of barter. Outside McDonald's, young teens dart up to cars at Pushkin Square and charge 100 to 150 rubles to take the order and deliver it to the car. Unfortunately, many of the young capitalists are often forced to pay half of their profit or more to older thugs, who threaten to beat them up. According to the WSJ, guards who have been hired by McDonald's have been known to take a cut for letting the "grubby" youths pass through the line.

Compiled by Peter O. Keegan

Nation's Restaurant

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

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September 28, 1992



Cafe Flora exec chef Jim Watkins, front, and co-founder and general manager Scott Glascock in the restaurant's dining room.

Meatless menu helps Cafe Flora bloom in Seattle

by Alan Liddle

SEATTLE — Meatless cuisine is going mainstream in a big way at Cafe Flora, a 96-seat neighborhood restaurant serving an average of 400 meals daily.

Located in the gentrifying Madison Valley area of Seattle, the 1-year-old Cafe Flora serves no meat, poultry, seafood or alcohol. Yet its bright and airy din-

ing room, counter-area displays of produce and baked goods, and menu of foods such as wild mushroom stroganoff and curried eggplant with mangoes and tomatoes are attracting people of very different lifestyles.

"We're seeing people alter their diets for health reasons, en-

(See CAFE FLORA, page 4)

Operators fight for urban aid bill with eleventh-hour lobbying blitz

by Robin Lee Allen

WASHINGTON — With the hourglass nearly empty on this session of Congress, foodservice professionals converged here from across the country in a last-ditch effort to win votes for the urban-aid tax bill that carries two of the industry's favored provisions—the FICA tip tax credit and the targeted jobs

tax credit.

Wearing bright red stickers touting "H.R. 11 — Now!" 380 restaurateurs and members of their state restaurant associations swept through Capitol Hill offices to drive home the message glued to their lapels.

The lobbying blitz was part of the National Restaurant As-

sociation's eighth Public Affairs Conference, an annual congregation of the NRA's grass-roots political coalition.

The measure, which grew out of an urban-aid bill introduced after the Los Angeles riots, was passed by the House in July and is now before the Sen-

(See INDUSTRY, page 65)

Seeking dinner lead, BK rolls table service

by Milford Prewitt

MIAMI — By launching evening table service systemwide, Burger King is storming for the lead in the quick-serve fight for dinner patrons.

But whether the bold strategy shift gives the chain the sales boost it is looking for remains to be seen.

A closely guarded corporate secret up until now, the new full-scale dinner menu and table-service rollout will give BK a leg up on its arch-rival, McDonald's, which recently sent its 2-year-old dinner menu test back to its laboratories for further refinement. McDonald's had been testing several dinner entrées, including pasta and roasted chicken.

"This is the first step in a long-term strategy of increasing Burger King's share of the dinner market," said Sidney Feltenstein, BK's executive vice president of brand strategy. "The quick-serve segment has lost market share at dinner, but we think BK has developed



Burger King is attempting to lure evening diners with dinner table service.

a way to increase our share of that business."

Under the new format customers will still place their orders at the counter. But during the 4 p.m.-to-8 p.m. daypart, customers will take a seat in the dining room, where an employee or a hostess will deliver the

meal when prepared.

While customers are waiting, they will be given free bags of popcorn. Lighting will be reduced, and music will be piped into the dining room to create a more subdued ambience. Double-sided tray liners and cray-

(See BK, page 64)

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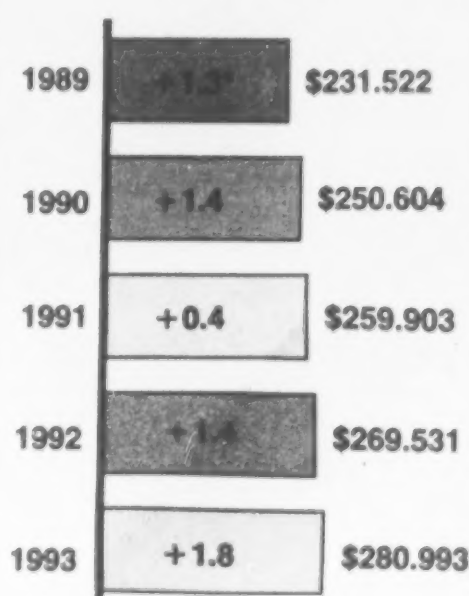
by Paul Frumkin

NEW YORK — Foodservice operators looking for a quick economic turnaround in 1993 are going to have to settle for one more year of lackluster and spotty growth, according to the industry's first major forecast for the year ahead.

The study, commissioned for the International Foodservice Manufacturers Association's annual Foodservice Forecast & Outlook Seminar here, indicated that foodservice sales in 1993 would continue to be dominated by a general lack of consumer confidence over the uncertain state of the economy.

IFMA predicted that total foodservice sales would increase by 1.8 percent, to \$280.9 billion, in 1993. Those figures reflect a modest upturn from the 1992 projected increase of 1.4 percent, to \$269.5 billion — adjusted for real 1992 data.

**Total foodservice sales
1989-1993**
(in billions)



* real change
Source: Technomic Inc.

But the 1993 projections
(See IFMA, page 65)

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September 28, 1992

NEWS BRIEFS

G/R Inc. emerges from Chapter 11 with new owner

NEW YORK — After 10 months in Chapter 11, Gilbert/Robinson Inc., franchisor of the Houlihan's and Darryl's dinner-house chains, has emerged from bankruptcy protection under the ownership of The Glazer Group.

According to a plan ratified in U.S. Bankruptcy Court here, Gilbert/Robinson Holding Corp. will be merged into Gilbert/Robinson Inc., and the common stock ownership will shift from N.Y.-based I & M Acquisition Corp. to The Glazer Group.

Led by financier Malcolm I. Glazer, the Palm Beach, Fla.-based investor group will directly and indirectly own 71 percent of the newly issued stock, while I & M Acquisition Corp. — which owned 94 percent of Gilbert/Robinson Holding — will own approximately 6 percent of the new stock.

Under the plan, all trade creditors and other general unsecured creditors receive 100 percent of their claims.

Perkins, Corky's launch barbecue joint-venture test

ORLANDO, Fla. — Perkins Family Restaurants, a 400-unit chain based in Memphis, Tenn., is launching a test concept here called Hog Wild Barbecue with Don and Barry Pelts, co-owners of the Memphis-based Corky's Bar-B-Que.

The concept will look like Corky's 8-year-old barbecue unit on Poplar Avenue, which has proved to be quite popular with Memphis tourists.

"We'll be doing an exact Corky's except for the name," said Barry Pelts, Corky's vice president. "We think we've got something hot."

Ownership terms were not disclosed. Nor did Pelts reveal how Perkins and Corky's will share operating responsibilities at the Hog Wild unit. The venture will open in September in Casselberry, Fla., north of Orlando.

Meanwhile, Corky's, which last month opened a unit in Jackson, Tenn., will follow in three weeks with a new barbecue location in Nashville. Corky's will put its fourth unit in suburban New Orleans also around the end of October.

Calif.'s governor mulls veto, new workers' comp bill

SACRAMENTO, Calif. — Gov. Pete Wilson has called a four-bill package of workers' compensation legislation a "phony" and "fig leaf" reform of the state's \$11 billion system, leading to expectations he will veto the measures before a Sept. 30 deadline and call a special session of the California Legislature for revisions.

Assemblyman Burt Margolin, a Democrat from Los Angeles and co-author of the pack-

Sales take sharp drop in August as menu prices continue to climb

WASHINGTON — Sales at the nation's eating and drinking places fell 5 percent in August on an annual unadjusted basis, the steepest drop in year-to-year sales volume comparisons for 1993, the U.S. Census Bureau said in its monthly retail sales report.

The sharp decline comes just one month after restaurant sales appeared to be rebounding in July, dropping just 0.1 percent on an annual, unadjusted basis, after falling 3.6 percent in June.

While sales fell in August, the rate of menu price inflation was unchanged from that of July — up just 1.7 percent for the second month in a row and a slight decline from the 2-percent annual increase recorded in June, according to the U.S. Labor Department's Consumer Price Index.

Overall, the CPI, the nation's leading gauge of the cost of living, was up 3.1 percent on an annual, unadjusted basis.

When August's 5-percent decline in sales is discounted further by the 1.7-percent increase in menu price, the figures suggest that customer traffic fell 3.3 percent last month, the second largest drop this year.

Meanwhile, wholesale food costs, as measured by the Producer Price Index's finished consumer foods category, recorded its eighth consecutive month of declining price levels although foods costs appear to be firming, the Labor Department added.

In August finished consumer foods fell just 0.1 percent on an annual unadjusted basis, after dropping 1.3 percent in July and 1.8 percent in June.

Despite the decline, several fruit and vegetable commodities were near record highs. Lettuce prices were up 113 percent, tomatoes were up 18 percent and strawberries were up 70 percent.

Meat prices were mixed, with beef and veal up just 2 percent, poultry down 2 percent and processed young chicken down 1.7 percent.

age, said the laws would save employers money by capping medical evaluations and vocational rehabilitation, require "fraud is a felony" warnings on workers' comp advertising, and allow employers to use HMOs for employee care.

However, officials of the California Chamber of Commerce, who have urged a Wilson veto, said their analysis shows the measures could cost employers an additional \$300 million.

The governor also has until Sept. 30 to sign or veto a bill that requires insurance carriers in the state to offer small-group coverage at limited costs to any employer who applies regardless of the medical histories or perceived disease risks of their employees. The Margolin-sponsored bill is supported by many restaurateurs, who favor its caps on currently soaring health premiums.

Atlanta operators unite against condom ordinance

ATLANTA — Operators here are lobbying to defeat an Atlanta City Council ordinance that would require restaurateurs and other liquor licensees to sell latex condoms either over the counter or in vending machines.

The ordinance — similar to one passed recently by the Boston City Council and later vetoed by the city's mayor — is opposed by the Georgia Hospitality & Travel Association.

"This thing would create a mess, and now there's a possibility it could become a statewide issue," said the GHTA's Lee Miller.

Labeling the ordinance a misconceived attempt to control the spread of AIDS, operators of family establishments said they resent the idea of making their

rest rooms look like "truck stop" facilities.

"Why should children have to see condom machines in our rest rooms?" said Dante Stephenson of Dante's Down the Hatch, a dining and entertainment concept in Buckhead and Underground Atlanta.

The condom ordinance comes up for vote next month.

President Baking buys Famous Amos

ATLANTA — President Baking Co., a distributor of such brands as Little Brownie Bakers, Plantation and Olde New England, has acquired the Famous Amos Chocolate Chip Cookie Corp. from the Shansby Group for \$60.6 million.

The San Francisco-based Famous Amos, which is expected to generate about \$75 million in sales this year, said it would retain its existing employees and management.

Karas resigning as Rax chairman

DUBLIN, Ohio — Donald Karas has stepped down as chairman of the 300-unit Rax Restaurants based here.

Karas, who spearheaded the purchased of Rax by an investor group, said he is leaving to head up the expansion of a casual steak concept, Santa Fe Steak House, which is expected to open its second unit in Columbus later this fall. He has also formed a partnership with Cincinnati restaurateur Carl Bruggemeier to expand his casual popular Italian operation, Ciao, Baby.

Karas is also opening Silverado, a Southwestern restaurant, in New York later this year with chef Richard Krause.

He will retain his position on the Rax board of directors.

NEWS

Pepsico hits the books with 3-in-1 school outlet

(Continued from page 3)

the high-fat content and PepsiCo's marketing clout might overshadow the role of nutrition in school lunches.

"I'm worried that they will not be getting enough fruits and vegetables because it's mostly protein and carbohydrates," said Susan Magrann, a registered dietitian who is working on a three-year government program applying the "nutrition triangle" to school lunch programs.

"Schools must offer healthful choices, and I don't see Taco Bell as a healthful choice; those foods tend to be on the higher fat side."

When told that there were healthful choices available, such as free fruit and a salad bar, she said: "I'm hoping that the other choices are as attractive and are being promoted as heavily as the PepsiCo items. My concern is how the students are balancing out the meals. Teens can eat this stuff every other day if they are balancing it out with other nutritional meals."

Caldwell said he would work with Taco Bell to possibly develop new foods for the program if it is expanded throughout the school system. "I would like to see a vegetable taco and a grilled skinless chicken breast sandwich," Magrann remarked.

Caldwell believes that there is a myth that fast food is unhealthy and said he has gone to great lengths to select a nutritious menu for the school. "PepsiCo is leading the fast-food industry by being more responsive to dietary needs," Caldwell noted. "We have had no calls or complaints, and our contacts with parents and teachers has been very positive. This is what the kids want."

He also pointed out that the interest on the part of private enterprise could ease the increasing burden on school foodservice administrators to work with tighter budgets and strict guidelines.

"Taco Bell's new-concepts division was looking for a school district to develop a pilot program which, if successful, will be rolled out to other schools," Caldwell said. "It's a marriage of public and private enterprise and is a direction we need to move in in the future."

In effect, the San Juan Capistrano School district becomes a Taco Bell licensee. But Taco Bell, which is based in nearby Irvine, Calif., conducts much of its product testing in the area and will be monitoring the project as it evolves.

Taco Bell pays royalties to sister PepsiCo companies Pizza Hut and KFC, but the structure is different from normal franchise fees.

Housing 2,200 high-school stu-

dents, the campus is closed, meaning that students cannot leave the grounds at lunchtime. During students' half-hour lunch period, they can pick up boxed items from the L-shaped counter and pay for them at four cash registers — or at two walk-away windows — and eat in a common dining room or outside.

"We've taken out the cafeteria system and remodeled the whole place," Caldwell said. "Taco Bell helped to fund the equipment for the transition." The school had its foodservice workers trained by Taco Bell, KFC and Pizza Hut, and they work alongside 14 PepsiCo employees, all wearing company uniforms.

The difference between this program and those of the other 1,700 schools that Taco Bell services is that the food is prepared on premises. The school, which previously rolled in carts of branded foods, continues to offer sandwiches, hamburgers, a salad bar and frozen yogurt — with an average ticket between \$1.50 and \$2.

Another concern Magrann voiced about the new PepsiCo food court is its involvement with the National School Lunch Program. The U.S. Department of Agriculture does give school lunch patterns to be followed, such as meats, vegetables, fruits, bread and milk but does not outline fat, salt or sugar contents.

"There are recommendations about fat content, but there are no hard or fast requirements," said U.S.D.A. spokesman Phil Shanholtzer, adding that he is seeing more instances of fast feeders and contractors entering school foodservice. "But we are working with schools to lower those quotients."

Magrann said she's concerned that while most students ate the PepsiCo products, N.S.L.P. students might be left out.

Not so, said Caldwell, who explained that the combo burrito, plain burrito and pepperoni personal pan pizza are reimbursable under the program. "On some products the dollars just aren't there," he added, noting that 10 percent of the Capistrano Valley High School students receive free or reduced lunches.

Caldwell said that the school district was looking at a couple of programs whereby students could work at the Taco Bell food court as part of regional occupancy programs — thus enabling them to get hands-on fast-food training.

Caldwell explained that in the first few days the food court was open the students were extremely enthusiastic, and that record sales were achieved. "We hope to roll out something like this as soon as possible," he said. "By the end of the year we'll know whether it could be feasible throughout the district."

IFMA's 1993 forecast: Still no cause for celebration

(Continued from page 1)

may already prove to be a bit too optimistic, declared Ronald Paul, president of the Technomic Inc., the Chicago-based research company that compiled and presented the IFMA forecast.

Paul pointed out that the most recent economic indicators to come out of Washington could help to drive those sales numbers even lower. "We expect some modest growth, but 1993's numbers may turn out not to be as good as '92's," he said. "The economy has bottomed out, but it's not going up. And we don't see any sign of a strong recovery."

Paul said that unemployment fears were largely responsible for fueling the widespread lack of consumer confidence. According to Technomic, initial jobless claims were up 20,000 for July — employment as a whole was off by 0.3 percent for the same period — while the consumer confidence index barely hit the 58-percentile mark in August.

One bright spot, however, was a 0.5-percent hike in disposable personal spending — a key economic gauge — for July.

For the short term, though, this is not likely to contribute to a dramatic hike in sales within the foreseeable future. "Dining occasions are not down. They're holding steady," Paul noted. "But consumers seem to be trading down in what they're willing to spend. And we'll probably continue to see that pattern until they begin to regain confidence."

According to the Technomic researchers, the commercial foodservice segment is projected to fare somewhat better than its non-commercial counterpart in 1993. Total sales for all commercial operations are expected to rise 2.9 percent, to \$205.4 billion, in 1993, compared with an overall non-commercial hike of 0.9 percent, to \$75.6 billion, for the same period.

The generally sunnier predictions for the commercial sector are largely due to stronger sales in the quick-service and casual full-service chains. The researchers predicted that quick-service companies would generate \$87.2 billion in sales for 1993, up 3 percent over 1992 figures.

"Consumers are responding to value and convenience," Paul said.

Moreover, quick-service chains are luring patrons by offering a greater number of items than ever before. "Fast feeders are engaged in a 'food fight' as new product tests and launches increase," said Anne Gaertner, an associate with Technomic.

But the real bright spot continues to be among the casual full-service chains, such as Applebee's, Olive Garden, Chili's and Longhorn Steaks. For the second

quarter of 1992, the 29 chains tracked by Technomic reported an aggregate 17.4-percent leap in revenues, to \$1.3 billion, over the same period for 1991. Net income for the same period skyrocketed 37.4 percent, to \$68.3 million.

"These chains are absolutely delivering what the customer wants for the evening meal period," Paul said. "They offer value, they're casual, they have a variety of menu items and they're kid-friendly."

At the same time many of the full-service chains continue to invade the midscale market once dominated by independents. "There is a lot of growth potential for chains in this market, and companies like Chili's and Olive Garden are making inroads," said Technomic's vice president, David Bekermeier.

The non-commercial sector continues to lag behind the commercial segment — largely a result of budget cuts and a dwindling pool of customers in certain areas. However, operators are responding through a series of programs, including aggressive promotions and cutting labor costs by adding more self-service operations.

"Operators want to trim labor costs but don't want to risk alienating patrons," Bekermeier said.

At the same time non-commercial operators will continue to form "strategic alliances" with such chains as McDonald's, Pizza Hut and Taco Bell to add branded outlets to their operations.

In fact, the number of branded retail outlets in non-commercial operations is expected to grow by 20 percent to 30 percent annually over the next three to five years, according to the forecast.

Ironically, prison feeding is expected to be a "boom market" for foodservice in the coming years, said Nancy Kruse, principal associate with Technomic. The combined federal and state prison population is expected to double, to 1.6 million inmates, by the year 2000, according to the American Correctional Association.

As a result of profound global changes and heavy budget cutting in Washington, foodservice sales in the military sector will continue to plummet. Total sales are expected to drop 5 percent, to \$3.1 billion, in 1993 after a projected 6-percent decline in 1992.

Foodservice sales at colleges and universities are expected to remain flat for the third year in a row, partially as a result of declining full-time enrollment.

The baby "boomlet" is expected to start feeding some new consumers into the primary-and-secondary-school sector and hiking sales by 1.5 percent, to \$10 billion, in 1993.

Industry fights for urban aid bill with 11th-hour lobbying blitz

(Continued from page 1)

ate. It is expected to see action before Congress adjourns in October, but its future is uncertain during an election year that has heightened partisan sparring.

Relieving the impact of the FICA tip tax "has been our No. 1 priority for the last couple of years," said Mark Gorman, the NRA's senior director of government affairs. "We need to have this passed. Otherwise, we'll have to wait until a new bill is introduced next year when there will be 150 new members of Congress to educate."

Viewed as a grenade lobbed directly at the restaurant industry, the FICA tip tax — which mandates that Social Security taxes be collected on all servers' tips — went into effect in 1988. Previously, Social Security taxes were collected only on the portion of tips that satisfied minimum

wage requirements, a figure that under the Fair Labor Standards Act could not exceed \$2.12.

Industry employers have argued vehemently that it is unfair for them to pay Social Security taxes on servers' total tips when only a portion of those tips are considered wages under federal law and that employers have no control over the amount of tips collected.

If the urban-aid tax bill is passed in its current form, its tip tax provision would create a credit toward income taxes for FICA taxes paid on tips that exceed the \$2.12-per-hour cap. The NRA estimates this credit could save the industry \$1.5 billion in income taxes over five years.

Restaurateurs have been further outraged by the policing role forced on them as the Internal Revenue Service steps up its audits of the industry in an at-

tempt to recoup taxes on tips underreported by employees.

"I have to keep track of tips, and I don't like that," said Joe Sestito of Tiffany's Continental in Fairmont, W.V. "I like to smile and be friendly. And I think [that tips are] personal."

Prompted by his displeasure with the FICA tip tax, Sestito launched his own lobbying campaign using "the tactics of hospitality" to win the support of Sen. John D. Rockefeller, D-W.V.

He invited Rockefeller, 15 industry peers and some NRA members to his restaurant and persuaded Rockefeller to announce that he would fight to repeal the tax. Sestito has since named a strawberry daiquiri special after the senator.

Similarly, the Louisiana Restaurant Association was instrumental in persuading Sen. John Breaux, D-La., to co-spon-

sor the tip tax provision.

"The Louisiana Restaurant Association issue was the right issue," he explained. "They are friends with the Louisiana delegation, and politics is people."

The urban-aid tax bill also includes a provision to extend TJTC, which expired June 30. TJTC provides a 40-percent tax credit on first-year wages up to \$6,000 paid to employees who fall into economically and otherwise-disadvantaged groups. The House voted in July to extend TJTC permanently and restore economically disadvantaged 23- and 24-year-olds to the list of targeted groups.

The Senate version of the bill would extend TJTC for only 18 months and, in addition to restoring 23- and 24-year-olds to the target list, also adds the long-term unemployed and residents of enterprise zones to the list.

Members of the lobbying contingencies said they were greeted more warmly than during past conferences by congressional representatives humbled by widespread anti-incumbent sentiment. But many were not comforted by what they heard concerning H.R. 11's prospects.

Many congressmen said they were not optimistic about the bill's passage this year. Others said they feared it would be pared down, removing many of the controversial piggy-backing tax amendments. In such a case the FICA tip tax credit and TJTC could wind up in the pending energy bill, leaders suggested.

On the brighter side, several lobbying restaurateurs noted that many congressional leaders are adopting friendlier attitudes toward small business and its concerns — such as mandated health benefits and family leave.

Nation's Restaurant

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

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Team USA foiled in Frankfurt

Canada snags 1st place in Culinary Olympics; US falls to 6th

by Jack Hayes

FRANKFURT, Germany — Failing to impress 18 world judges with its risk-taking philosophy of "simple foods naturally presented," National Team USA finished a disappointing sixth place at the 19th World Culinary Olympics here.

Despite declaring itself a philosophical winner, the United States National Team was outscored in the three-part competition by chefs from Canada, Switzerland, Germany, Singapore and South Africa, respectively.

As significant, the U.S. team lost its 12-year standing as world champion in the prestigious Restaurant Hot Cooking

category, where it was outscored by eight other teams, including Australia, Germany, Norway, South Africa and The Netherlands.

The grand overall winner was Canada with 548.42 total points. The United States had 524.27 points overall. Medals are awarded for total scores and not for placement, which allows many countries to share gold, silver and bronze medals.

"There's definitely a different perception between us and the judges; it's not a technical difference because I was told we were nearly perfect in the kitchen. It's got to be a philosophical

one," declared Team USA Manager Keith Keogh at a press conference on the final day of the competition.

In effect, Team USA National brought to Frankfurt a historically themed menu — built around two and one-half years of international research and travel — which attempted to define the breadth of America's culinary heritage in its connection to Asian, African, European and Native North American cooking.

The radical side of the U.S. presentation was its decision to arrange plates much more simply. (See **TEAM USA**, page 59)



Above: Team USA manager Keith Keogh, right, with U.S. Culinary Team Foundation chairman Ted Balestreri. Left: Team USA's hot food plate — Song of the South.

NRN Photo

ELECTION '92: Weighing the contenders

by Robin Lee Allen

Foodservice operators still undecided on the presidential race could be pushed off the fence by the candidates' proposed employment policies.

Although somewhat vague, the candidates' approaches to issues like health care, family leave and labor relations differ greatly and could portend varying futures for the labor-intensive foodservice industry.

Despite such differences, however, political observers say that whoever lives at 1600 Pennsylvania Ave. after January, in his struggle to cure the nation's ills, might unleash policies both helpful and harmful to the industry.

Democrat Bill Clinton, despite his less traditional, more moderate platform, has a laundry list of legislative proposals — including mandated health care and family leave for employees and an increase in the minimum wage — that smack of the Democratic party's traditional sympathy for the underdog and would be costly to em-

ployers, they noted.

But that does not make Republican George Bush an industry savior, they said. Although he seems to pose less of a legislative threat, he has already signed into law burdensome legislation, like the Americans with Disabilities Act and the

(See **ELECTION**, page 4)



AP/Wide World Photos

Bill Clinton makes a point to the audience during the second presidential debate as George Bush and Ross Perot look on.

INSIDE

To vote or not to vote: Take an active role

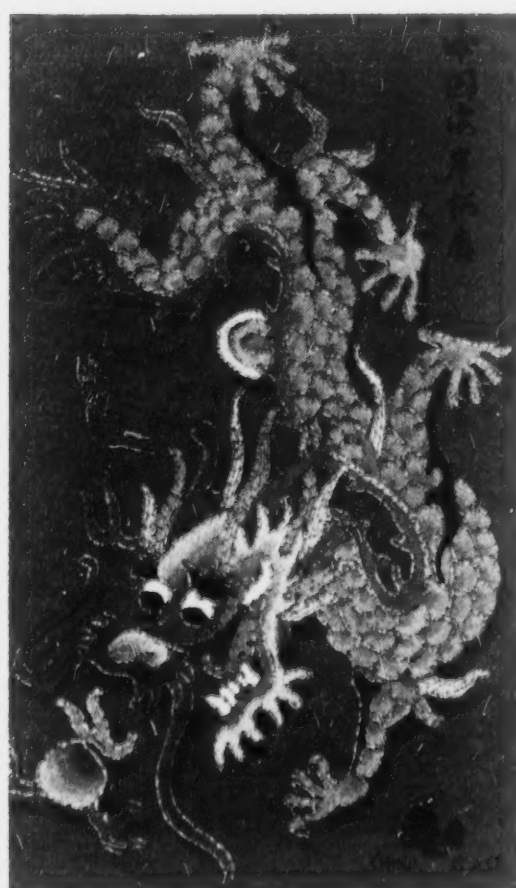
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French flair arrives at Paramount Hotel

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Chewing the fat on deep fryers

Patt Patterson/Page 42



General Mills: Nearing China Coast rollout?

by Peter O. Keegan

ORLANDO, Fla. — General Mills has installed a top company executive to head its China Coast restaurants and is apparently gearing up to "wok and roll" with the Chinese dinner-house concept.

General Mills veteran Jon L. Finley, formerly president of the Yoplait Yogurt division, has been named president designate of China Coast, a position he will officially take over in January. At the same time the Red Lobster executive vice president of operations has been shifted to the same post at China Coast.

Their work nearly completed,

General Mills' "dynamic duo" development team, Blaine Sweatt III, currently China Coast president, and Roger K. Thompson, General Mills vice president of business planning and information, will return to the company's headquarters to explore once again future General Mills concepts. Before China Coast, the two were largely responsible for developing Olive Garden and nurturing the concept through its test stage before stepping aside for the full-scale rollout of the Italian dinner-house chain.

Finley currently is under

the tutelage of Olive Garden president Ron Magruder, learning the ins and outs of the restaurant business and the dinner-house segment. Once Finley takes the reins at China Coast, Magruder will continue to oversee his progress.

"Blaine will go back to the drawing board," confirmed Olive Garden president Magruder. "That's his expertise. He brought China Coast through two and one-half years of development, and Finley will take the next step."

"Finley is out on Olive Garden openings while working on

menu planning, purchasing, marketing and employee relations."

Finley, a 10-year General Mills veteran who has a strong marketing background, will team up with 20-year Red Lobster veteran Phillip Pritchard.

"When you get ready to roll one of these out, you don't want a big learning curve," Magruder explained. "We have a lot of experience with Finley in marketing and Pritchard in operations, and hopefully I can throw something into the pot."

China Coast, which opened (See **GENERAL**, page 7)

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October 26, 1992

NEWS BRIEFS

Restaurant sales rise 0.2% in Sept.; menu prices show 1.7% increase

WASHINGTON — Sales at the nation's eating and drinking places continued to slow in September, rising a scant 0.2 percent on an annual unadjusted basis, the U.S. Census Bureau reported in its monthly retail sales report.

Menu price inflation remained flat for the third month in a row, according to the U.S. Labor Department's Consumer Price Index. Menu prices — the food-away-from-home category of the CPI — increased 1.7 percent on an annual, unadjusted basis.

When September's 0.2-percent sales gain in restaurant sales is discounted against the 1.7-percent rise in menu prices, the figure suggests that customer traffic actually declined 1.5 percent during the month.

Meanwhile, wholesale food prices continued to give operators a break, rising 0.4 percent on an annual, unadjusted basis, the Labor Department said.

Overall, the CPI, the nation's leading measurement of the rate of inflation, was up 3 percent in September.

Welter leaves Rax for Ponderosa post

VANDALIA, Ohio — William Welter, Rax Restaurants' marketing chief for the past eight months, has left the troubled sandwich chain to become senior vice president of marketing for the 800-unit Ponderosa.

Welter, who was instrumental in the creation of the "Where's The Beef?" campaign while at Wendy's during the 1980s, becomes the sixth marketing vice president at Ponderosa since 1985. Ponderosa is a subsidiary of Metromedia Steakhouses Inc., which also owns Bonanza.

While at Rax, Welter helped launch "Mr. Delicious," the chain's animated advertising spokesman, which generated a mixed response from the chain's licensees.

Welter's departure at Rax follows last month's resignation of Don Karas, who stepped down as chairman of the 350-unit operation chain to pursue several entrepreneurial restaurant ventures. Karas remains on the Rax board of directors.

Welter said he accepted the Ponderosa position because it offers an opportunity to help Ponderosa regain its stature as a leading budget steak house and because Ponderosa has "a great talented team."

Brinker shutters steak house, plans Oklahoma City unit

OKLAHOMA CITY — Brinker International, the Dallas-based dinner-house company, has closed its casual Border Stop Steak House in Houston but is preparing to break ground on a site here for a simi-

lar, renamed concept.

Border Stop Steak House, which Brinker called a "live research and development project," also tested products for other concepts.

The planned steak house is expected to open next year, said Lane Cardwell, Brinker executive vice president of strategic development. The 200-seat Houston unit featured four to five signature steaks and per-person checks around \$8 to \$9.

McDonald's drops fried apple pie for baked version

OAK BROOK, Ill. — The fried apple pie, one of McDonald's signature menu items, has been phased out and replaced with a baked version.

A spokeswoman said the company decided to replace the fried apple pie following extensive consumer testing.

The baked apple pie, which is hand-held and served hot, contains similar ingredients but has a flaky, rather than crispy, crust.

The new product is not being advertised nationally, but several local stores in the New York area are promoting it with sidewalk banners and placards.

Arby's, Daddy-O's debut 2-in-1 unit

HIALEAH, Fla. — A "state-of-the-art" Arby's unit with reduced square footage and touch-screen menus debuted here Oct. 24 in tandem with the 11th branch of the Miami company's Daddy-O's twin-lane burger drive-through chain.

The redesigned Arby's building boasts a bold, red doorway arch and customer-operated touch-screen video menus in English and Spanish. The Daddy-O's unit features that concept's burgers, hot dogs, battered fries, broiled and fried chicken sandwiches and milk shakes, with average checks geared to run \$2 to \$3.

"Essentially, these new prototypes give Arby's the flexibility to be a player in virtually every type of market," said Gaylon Smith, senior vice president of franchising for the roast beef sandwich chain. He said the single-pad development requires "about half the space of a traditional restaurant."

Separately, a Los Angeles-based Arby's franchisee, KFF Management, reported that sales have more than doubled — to \$19,000 a week — at an Arby's unit in Long Beach, Calif., since it was remodeled in August into a tandem unit with the menus of Arby's and the Anaheim, Calif.-based Green Burrito Mexican fast-food chain.

Pizza Hut plans Grand Pan Dinner launch next year

WICHITA, Kan. — Pizza Hut plans to unveil a new line of menu selections called Grand Pan Dinners early next year — which will include its widely publicized launch of chicken.

In addition to a broiled chicken item, the line includes Italian steak and shrimp dishes. The selections will be served in the chain's deep-dish pan with a side pasta and vegetable. Pricing was unavailable, but sources said the line is expected to be in test stores early in 1993.

The new line is the latest attempt to drive traffic at the chain that saw a 2-percent dip in comparable-store sales for the third quarter ended Sept. 5 compared with the same period last year.

Earlier this year the company introduced an all-you-can-eat lunch buffet targeted toward value-minded customers. That program is in place in about 2,000 stores and "produced improved trends in traditional store sales late in the quarter," according to PepsiCo's third-quarter report.

Angry bondholders sue Marriott Corp. over planned split

WASHINGTON — Two bondholders angered by Marriott Corp.'s recent announcement to split into two companies have sued the conglomerate, charging the plan has ruined the value of their holdings.

Both suits, filed in U.S. District Court in Baltimore, allege that the plan to split Marriott into a debt-free management services company and a debt-laden real-estate company was devised to benefit stockholders at the expense of debt holders.

The company has received both filings and is now reviewing them, said Nicholas A. Hill, a Marriott spokesman.

Another group of bondholders told the Associated Press that they had formed a 10-member committee to block the conglomerate's proposed split and were also considering legal action.

Marriott officials maintain that Host Marriott Corp., the real-estate company that will shoulder nearly \$3 billion of Marriott's debt, was conceived to have enough cash flow to meet all of its debt obligations.

Marriott's bonds plunged nearly 30 percent in the two days following Marriott Corp.'s announcement.

Blumenthal sells Supreme Court stake to partner

KANSAS CITY, Mo. — Ira Blumenthal, co-founder of The Supreme Court, a concept designed to open branded food courts in non-traditional sites, has sold his stake in the venture to his partner, Victor Cascio.

A statement from the company said Blumenthal divested his share of the Supreme Court to pursue other ventures.

The company's first food court — containing Godfather's Pizza, Bennigan's and Chi-Chi's El Pronton — debuted here a year ago at Price Chopper supermarket.

The second Supreme Court is slated to open at a Stop & Shop supermarket in Cleveland later this year.

FLORIDA

FOCUS

GEORGIA

Despite Andrew and Overbuilding, Sunshine State's Hospitality Industry Is Set To Resume Its Old Vitality

A stalled national economy, upcoming elections, an uncertain tourism industry, overbuilding in certain segments, and then . . . a hurricane.

Actually, Andrew is probably the least of problems for the Florida restaurant industry. But even with all that is haranguing the country and the restaurant industry, Florida is probably best poised to resume the vitality which has traditionally been the mark of the hospitality industry here. After all, what other state gets a thousand new residents a day, has the world's most important tourist destination right in its middle and other blue chip attractions peppered throughout? And is also home to a large and diversified base of business, industry and agriculture?

With sales in many segments flat or only slightly improving, many in the industry seem to be in a "hang on to our hats" mode.

Crawford Johnston, president of Cedar River Seafood and Oyster Bar, a dinner-house chain based in Jacksonville says he has no plans to expand in Florida for the time being. He's concerned, he says, about the outcome of the election and its implications for the business environment

in Florida and the country. He admits to being a little raw after a dustup with local authorities regarding a bathroom which they made him enlarge less than an inch—at a cost well into five figures.

Donald Perlyn, executive vice president of Miami Subs says the company is planning some Florida expansion, but not around their South Florida base, which he calls "highly competitive and overbuilt."

"We've lined up franchisees in Tampa, Naples and Ft. Myers," says Perlyn, adding that if anyone is looking to open a restaurant in Florida, Orlando and the Gulf are probably the places to do it.

Many operators would probably be just as happy if everyone took a time out for just a little bit: There are too many restaurants chasing too few dollars. In 1991, the industry actually experienced negative growth for the first time, dropping to 43,940 food-service facilities from 45,844 in 1990.

Some of that decline is due to tourism, which though not the strongest right now, is and will continue to be the motor that powers the state's economy (Florida is ranked second only to California). While the number of visitors overall has declined slightly from the previous year, an ever increasing

influx of foreign tourists has helped cushion the blow. These visitors—mostly from Canada and Latin America—account for 20 percent of all tourist dollars spent in Florida. The chief beneficiary seems to be South Florida.

Daytona Beach, long a mecca for Spring Breakers, parts of the panhandle, and the more exclusive areas of the Gulf Coast (e.g. Sanibel and Captiva Islands) are holding their own or showing slight gains.



Florida's endless beaches and numerous tourist attractions have made it one of the world's most important tourist destinations.

1992 clears, 85% will have realized a profit increase. For 1991, 10.5% reported that profits were "excellent," 47.2% said they were fair, and 33.7% said profits were "flat."

The 1992 Industry Profile from the Florida Restaurant Association (FRA) also shows that 85% of all operators are looking for a sales increase this year.

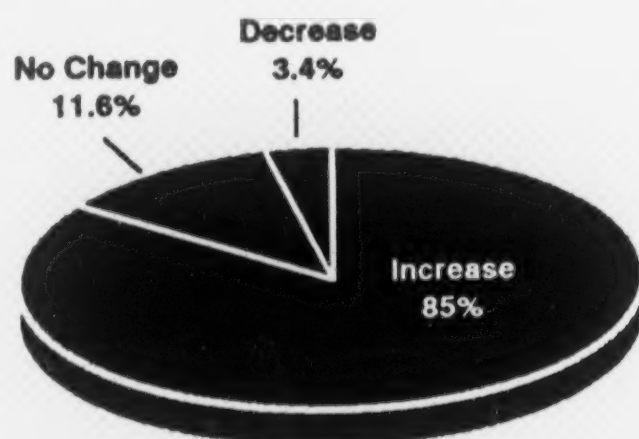
One possible justification for the optimism: The FRA is considered one of the most activist, effective organizations of its kind. This past legislative session, the FRA was unusually busy. Florida restaurateurs took it on the chin twice: Non smoking sections equal to 35 percent of dining room seats in restaurants over 50 seats will be required effective October 1, 1992. And the famous "potty parity" law made it through, mandating a 3-to-2 women/men toilet ratio for new and extensively remodeled restaurants.

But the FRA turned back the proposed tourism tax, a Dade County Food and Beverage tax and a proposal to set a state minimum wage through a referendum.

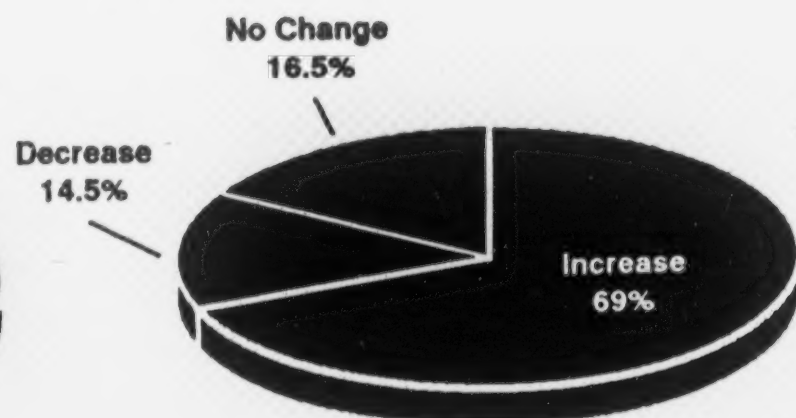
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Business Expectations for 1992

Sales Volume



Profit Margin



Source: Florida Restaurant Association

The bad news for restaurants is that while the tourism impact seems to be re-distributing itself throughout the state slightly, visitors are spending fewer days in Florida, and therefore eating out less.

At Perkins Family Restaurants, spokesman Donna Guido has said that when "tourism falls, people can get hurt badly." Company units built in tourist areas specifically to take advantage of the traveling dollar are reflecting the softness of the industry, she notes, but says that neighborhood units are holding their own.

Still, Florida restaurateurs, an ever-optimistic bunch, predict that when the dust from

FLORIDA **FOCUS** GEORGIA

Despite Andrew...

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The most important piece of legislation to come out of Tallahassee may well be the consolidation of all restaurant regulatory activities under one agency, the state Department of Business Regulation. This will save \$2 million, it's estimated. Previously, health inspections and

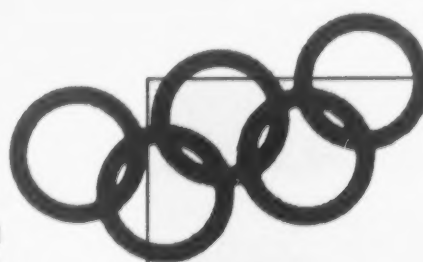
other regulatory activities were administered by a patchwork of county and state authorities.

Florida also boasts an impressive commitment to hospitality education, churning out the restaurant professionals needed to power an \$11.5 billion - a - year industry. There are vocational techni-

cal programs of all stripes, as well as many universities offering degrees in hospitality management. The best known of these is Florida International University in North Miami Beach, whose School of Hospitality Management has an international reputation.



Olympics, New Convention Centers Bode Well For State's Restaurant Market



In Georgia, all eyes are on 1996 and the Summer Olympic Games. The hope, of course, is that the estimated 2 million visitors to Atlanta will leave much of their money in the city. But this New South showpiece is also continuing to develop its transient and convention business in an effort to keep its place as the South's strongest city.

In the meanwhile, though, the restaurant scene in the Peach State is like most everywhere else in the country: holding its own, with hope for better times ahead. In 1991, total eating and drinking place sales were about \$4.74 billion, roughly the same as they've been for the past few years.

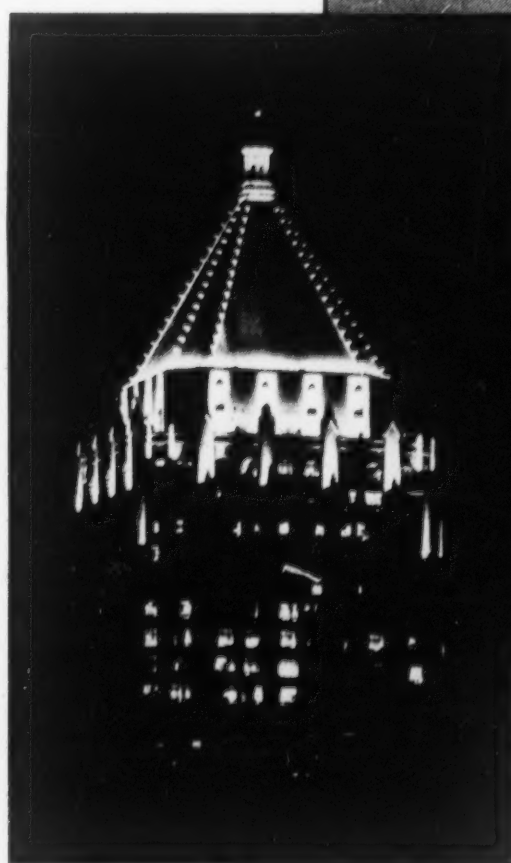
The Atlanta Metro market alone accounts for about 60

percent of the total, according to Bob King, president of the Georgia Hospitality & Travel Association.

"Like most other places, we see diners trading down, going to mid-price chains like a Houston's, where before they went to a more expensive place," says King about the state's restaurant market. "Most of our new restaurants tend to be mid-level, value driven operations."

Bill Dunaway, owner of 1848 House in Marietta, says "suburban white tablecloths seem to be doing fine, while the downtown restaurants depend more and more on the convention business." He notes, too, that the mid-priced themers "always seem to have lines waiting to get in."

He adds that the vital convention business has been soft



recently, giving some of the big city hotels and restaurants fits. Indeed, business was essentially flat. The bright spot was a 17 percent increase in small conventions in 1991, which helped keep downtown restaurants busy.

The hospitality industry is also the beneficiary of general civic optimism generated by the success last season of the Atlanta Braves, and the baseball team's continued strength.

Outside Atlanta, the state restaurant industry is generally a mixture of seasonal operations and establishments catering to travelers.

In Savannah, the capital of the Golden Isles resort region, the opening of a new Radisson has made large conventions possible there for the first time, adding another business booster for restaurants in this colorful, historic city.



Georgia's historic cities and resort areas not only attract tourists, but also draw convention business.

Jekyll Island houses the vacation homes of such notables as J.P. Morgan, William Rockefeller and Joseph Pulitzer. It's a popular tourist destination, but also draws convention business. Although currently conventions are "a little light" on the island. No one segment of the business is disproportionately hurt when trade is flat, according to Ken Opel, food and beverage director for the Jekyll Island Authority.

Overall, though, Jekyll Island had a "fairly decent summer, considering the state of the economy," according to Jim Weidhaas, senior public relations representative for the Authority. Tourism levels are basically flat at this mainly summer resort, but the Authority's standalone seafood and steak restaurant, Blackbeard's, is experiencing

6 percent revenue increases over last season.

Richard M. Gordon, senior vice-president of Atlanta-based The Great American Cookie Company believes Georgia is among the star locations in the sunbelt for restaurant operations. He likes his hometown, and smaller Georgia cities like Valdosta. He's noticed a moderate upward trend in his business, and says that it's "easy to be optimistic."

Presumably, Georgia will emerge from the shadows of a sluggish economy at least as well as the rest of the country. Given the Olympics, an expected upturn in the convention business, and increased tourism levels, the city's - and state's - restaurants will be well positioned to take advantage of the coming prosperity.

Atlanta

Total Population: 3,003.8
(Thousands)
Medium Age: 31.8
Food Sales: \$4,068,911
(\$000)
Drink & Eating Places:
\$2,754,778.
(\$000)

Source: Sales & Marketing Management Estimates 12/31/91